ACCOUNTANCY

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PROFESSIONAL NOTES

New Year Honours

We offer our cordial congratulations to Sir Harold Gibson Howitt, President of the Institute of Chartered Accountants, who becomes a Knight Grand Cross of the Order of the British Empire in recognition of his services as a member of the Air Council. Knighthoods have been bestowed on Mr. Roland Burrows, K.C., for services to the Home Office; Mr. A. M. Carr-Saunders, Director of the London School of Economics; and Mr. John J. Cater, Chief Inspector of Taxes. Mr. E. H. S. Marker, Principal Assistant Secretary, Board of Trade, receives the honour of C.B. Mr. Roland Burrows, K.C., has for many years been Senior Examiner in legal subjects for the Society's examinations. All are well known among our readers.

We are also pleased to note the following awards to members of the accountancy profession:

C.B.E.

Mr. F. W. Charles, F.C.A., Accountant, London and Eastern Districts, Ministry of Food.

Mr. W. E. Parker, A.C.A., Assistant Secretary, Board of Trade.

Mr. E. J. Wright, O.B.E., A.S.A.A., Secretary to the Finance Committee, Red Cross and St. John War Organisation.

O.B.E.

Lieut.-Colonel J. C. Flay, F.S.A.A.

Lieut.-Commander Festus Moffat, F.S.A.A., R.N.V.R.

Mr. C. V. Wicks, A.C.A., executive director, British Sugar Corporation, Ltd.

Colonel H. W. Wilson, A.C.A., Deputy Director of Administrative Planning, War Office.

M.B.E.

Major G. Arkley, A.C.A.

Major B. J. Ketchlee, A.C.A., A.S.A.A., for services rendered to the War Office.

Release from H.M. Forces

A meeting between representatives of the Board of Trade and the Accountants' Advisory Committee was held at the Board of Trade on January 21, at which it was agreed that the Board of Trade would support a limited number of applications for release under Class B. The Accountants' Advisory Committee are therefore prepared to receive applications for release of key men under Class B for submission to the Board of Trade. Applications should be addressed to the Secretary of the Institute or Society to which the firm applying belongs. Applications should be made only for qualified accountants who are required for key posts (shortage of staff alone is not a sufficient ground) and should give the age and

service particulars, including demobilisation group number, of each man and full details of the grounds on which the application is made. The position of men in Groups 1 to 24 is being separately looked into by the Board of Trade and applications should not for the present be made for men in these groups.

Social Insurance for All—

The National Insurance Bill, though "streamlined" by the Minister of National Insurance in accordance with his promise, is a formidable document of seventy-nine clauses and eleven schedules. Perusal of the "Summary of Main Provisions" (Command 6729, Twopence) and the "Report by the Government Actuary" (Command 6730, sixpence) aids understanding. We give on page 94 of this issue of ACCOUNTANCY three tables showing the essential figures involved, including contributions, the main benefits and the share of the total cost borne by the main parties, that is, the insured person, the employer and the State, in representative years. The contributions, as in the past, will be paid by stamps on an insurance card, and in the case of an employee, will also cover industrial injuries insurance. As now, the responsibility for paying contributions will be on the employer, who may deduct the employee's share from his wage. Most of the benefits will depend upon payment of a prescribed number of contributions. For sickness or unemployment a man or single woman over 18 will receive 26s. a week (20s. for unemployment and 16s. for sickness in the case of a married woman over 18—both increased to 26s. if the husband cannot or does not support the wife). A man or woman with adult dependants, including a wife or husband, will receive an extra 16s. a week. The first dependant child will receive 7s. 6d., but the other children do not count for benefit: this exclusion of children beyond the first, on grounds that in any case they will receive family allowances as from August next, will probably call forth much criticism in the House of Commons. Sickness benefit is receivable for an unlimited period, provided 156 contributions have been paid; unemployment benefit is limited to 180 days *plus* a number of additional days based upon the record of contributions and benefits. But for the first five years of the scheme, the Minister can, on the recommendation of a local Tribunal, continue payments at the full unemployment rates to those whose right to insurance benefit is exhausted. A widow will receive an allowance of 36s. a week for 13 weeks, plus 7s. 6d. for a child of school age, and thereafter she will receive a widowed mother's allowance of 33s. 6d. so long as she has a child of school age. If she is over 40 when this allowance ceases and 10 years have elapsed since marriage, she will receive a widow's pension of 26s. a week. A widow without children of school age will qualify for a widow's pension of 26s. a week after 13 weeks, if she was at least 50 years old when widowed and had been married 10 years. Retirement pensions at the rate of 26s. a week will be payable to an insured man or woman who is aged 65 or 60 respectively, has retired from regular work and has paid a prescribed number of contributions.

—And the Cost

An employer will pay 3s. 10d. a week for each employed man and 3s. for each employed woman. The man and woman will themselves pay 4s. 7d. and 3s. 7d. respectively, but it remains to be seen whether there will be pressure to have this offset, at least in part, by higher wages. In 1948, the total cost of insurance benefits (excluding assistance) will be £434 million, or roughly six per cent. of the probable national income for that year. By 1978, the figure will have risen to £731 million, or by 65 per cent.—and who can say whether the national income will by then have risen in greater or less degree than this? Of the total insurance bill of £452 million for 1948, employers will bear 31 per cent., insured persons 38 per cent., and the State 26 per cent., 5 per cent. representing interest earnings. The best measure of the immediate additional cost of the new universal scheme may be obtained by comparing the £434 million given above with the estimated cost of insurance in 1948 if the existing schemes were maintained, namely, £230 million.

Resumption of Practice by Demobilised Members

The Council of the Society of Incorporated Accountants have decided that they will raise no objection to announcements in the public press by demobilised members that they have resumed public practice, either as sole practitioners or in partnership. The total number of announcements inserted by any one member may not exceed six within a period of two months. Any such announcement should be confined to a statement on the following lines, and should not exceed the normal size of type in personal announcements in the papers concerned:

> "Mr....., Incorporated Accountant, formerly in practice at.....under the style of.....having been released from H.M. Forces, has resumed practice at ....." (with such minor variations as may be required to meet any special case).

National Financial Policy

Both the Federation of British Industries and the Association of British Chambers of Commerce have made representations to the Chancellor of the Exchequer on his forthcoming budget. Both bodies strongly recommend the abolition of the excess profits tax and the national defence contribution. Both oppose their being substituted by some other tax on profits, maintaining that income tax should be relied upon so far as profits taxation is concerned. The Association further argues that the present discriminatory rate of surtax should be reduced in

order to preserve the existence of partnerships. It may be asked, however, whether the tendency for the replacement of partnerships by companies would be significantly changed all the time surtax applies effectively in the one case and not in the other; whether, in other words, the reduction in the rate of surtax would go very far in the direction desired? The Association regrets that pre-war earned income allowances were not restored in the autumn budget, and mentions that it may be too late to propose their restoration for 1946-47 by reason of the time required to produce the necessary tax tables. Both bodies cogently urge that the budget should in future distinguish between capital account and revenue and expenditure account. This reform of the national accounts, to bring them more into line with ordinary business, is certainly long overdue.

Accounts of Nationalised Industries

Both bodies go on to point out that it is important that the accounts of nationalised industries should be separately drawn up on commercial principles and made public in detail, with sufficient explanatory reports by independent auditors. It might be mentioned that, in our opinion, the Coal Industry Nationalisation Bill deals with this aspect very perfunctorily and requires substantial amendment in this respect. The Association contends that a nationalised industry should make a contribution to the general revenue not less than that which was made by its previous owners. The principle, to which this contention is an addendum, that a nationalised industry should neither involve a charge on the taxpayer nor unduly benefit him, appears entirely salutary, but we have some doubts whether the price-fixing policy of nationalised industries can properly be based upon the criterion that their contribution to the revenue should be geared immutably to a basic pre-nationalisation contribution which may be quite inapplicable to changed economic conditions. However, the principles on which prices should be fixed in such industries are so far unknown and unexplored. The Association's statement brings to attention this most important aspect of current and future legislation.

A Flat-Rate Income Tax?

The *Economist* recently published a series of articles giving some stimulating suggestions for a far-reaching reformulation of the direct tax system. The proposals, which have appeared in the *Economist* columns before without evoking the interest which they warranted, envisaged the following changes: (1) The introduction of a flat rate of tax on all incomes under a certain limit, say £500 per annum. (2) The preservation of a progressive tax by the imposition of surtax above the limit fixed. (3) The removal of allowances from the tax ambit and their separate payment to the taxpayer. (4) A differential rate of tax on undistributed company profits ploughed back into the business compared with those not so utilised. (5) Greater reliance upon death duties as a source of national income. We may have an opportunity at a later stage of making a contribution to the debate on all five aspects. In the meantime it might be useful to amplify without criticising the first three proposals.

The *Economist* starts from the argument that income tax, especially under P.A.Y.E., is unnecessarily complex. Under P.A.Y.E. the taxation of small wage earnings involves formidable operations in the offices both of employers and of the Inland Revenue. Moreover, the tax is an inflexible one. A change in personal allowances means altering millions of code numbers. A change in the standard rate of tax or in earned income allowances or in the range of the reduced rates involves calculating and issuing a very large number of sets of new tables. Since the preparation of new tables well in advance of the Budget can hardly be kept secret, an announcement of a change in allowances, other than in the personal allowance, must precede its application by some months. Further, fluctuations in the weekly pay packet under P.A.Y.E. are a serious disadvantage of the system. For these main reasons and other less important ones, the proposal is that the employer should deduct tax from all wages and salaries under £500 per annum at a flat rate which, to maintain the existing revenue, would probably be rather less than one-half the present standard rate. The employee would receive from the Inland Revenue a book of vouchers aggregating in value his whole allowances for the tax year. He would either deposit the book with his employer, who would encash vouchers weekly in an operation separate from the tax deduction, or he would himself exchange them for cash at the Post Office. To preserve the gradation of effective tax rates over the limit of £500 per annum, surtax would be applied to such incomes at progressive rates. The tax paid upon an income of any size would be the same as it is now, for this could be ensured in the calculation of the flat rate and the graduated surtax rates. Only the means of payment would be affected by the plan. This separation of tax payments from allowances received would, it is claimed, remove the outstanding disadvantages of P.A.Y.E., except for the comparatively small number of surtax payers earning more than £500 per annum.

Conversion of Auctioneers' Firms into Companies

The Auctioneers' and Estate Agents Institute inform us that they have a rule forbidding their members from carrying on their professional work in the form of companies unless, in special circumstances, permission of their Council is first given. Apparently, some conversions of auctioneering firms into companies with limited liability have occurred and the Institute advises us that in such cases it is sometimes contended that the conversion was carried out on the advice of the members' professional accountant. In accordance with a request from the Institute, we are glad to draw the attention of practising accountants to the rules of the Institute in this matter, though we are sure our readers will for the most part be aware of the position.

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CONTROLLED INVESTMENT

One of the many paradoxes in this country to-day is that the Socialist Government is largely dependent upon private enterprise. Even when the anticipated nationalisation programme is complete, no less than four-fifths of our production will come from the private, as opposed to the public, part of the economy. The Government's performance will be judged, to an extent that is perhaps uncomfortable for its members, by the success of thousands of independent businesses.

There is some evidence that these facts are appreciated. The Income Tax Act of last year introduced enlarged depreciation allowances on new income-producing assets; the Excess Profits Tax was reduced in the Autumn Budget from eighty to sixty per cent., and the Chancellor has announced his hope that it may disappear altogether. But there is not yet evidence enough that every effort will be made to encourage industrial output. The new Investment (Control and Guarantees) Bill does, it is true, in one of its two important clauses provide that the Treasury may guarantee loans up to a total of £50 million in any one year " for the purpose of facilitating the reconstruction or development of an industry or part of an industry." This is a welcome feature, an expansion of the facilities afforded by the newly-created Finance Corporation for Industry and the Industrial and Commercial Finance Corporation that is wholly to the good. There can be little doubt that the ordinary sources of finance are sometimes closed to a concern or to a number of concerns in a particular industry because the risks of lending, especially in the absence of official knowledge of the medium and long-term prospects of that industry, are too great. This is particularly true in trade depression.

The next few years will be a period when the demands upon the national income will continually outstrip the volume of that income. Some priority system for new capital appears to be inevitable, and it was generally expected that the new Bill would provide for such a system. In the event, Clause 1 of the Bill continues the control already in existence under the Defence Regulations. The Capital Issues Committee continues to function. The Treasury must approve all applications for the borrowing of funds in excess of £50,000 in a period of one year unless borrowed from banks or by bills of exchange. The Public Works Loan Board remains in existence. A unit trust may not issue any additional units. Without consent obtained, arrangements for postponing repayments of borrowed money cannot be made. No issue of shares is allowed " if the purposes or effects of the transaction consist of or include the capitalisation of profits or reserves." The extraordinary fallacy persists that a bonus issue transforming reserves into capital involves the raising of new money. Similarly, the inexplicable official preference for placings of shares instead of offers for sale continues.

All this constitutes the familiar apparatus of control. The Capital Issues Committee has acquired a reputation for inelasticity, perhaps not entirely warranted, since it acted largely upon recommendations from Government Departments and advice from the Treasury. But to say the least of it, continuing the Committee in its present form seems a mistake psychologically. It is to be hoped that this will be remedied as experience of the Committee's work in peace-time accumulates.

As a corollary to this part of the Bill the Government have decided to set up a National Investment Council. Its Chairman will be the Chancellor of the Exchequer. Its members will include the Governor of the Bank of England; the Chairmen of the London Stock Exchange, the Capital Issues Committee and the Public Works Loan Board; and a number of other financial, economic and industrial experts. The Memorandum accompanying the Bill states that this Council " will assist the Government in so organising and, when necessary, stimulating investment as to promote full employment." If this is intended to describe the terms of reference of this body, they appear to us to be unfortunately restricted. We should like to see such an authoritative Council empowered, indeed expected, to assist in the broad allocation of capital resources not only when the main problem is to expand investment in order to cure unemployment, but also when, as at present, the danger is the contrary one of inflation as a result of a scramble for scarce funds. If we must have controlled investment, we should at least have it mapped out, in broad fashion, on the best available advice. But just as the Council, if confined in the way suggested in the Memorandum, will do no effective work until unemployment sets in several years hence, so the Government itself is silent upon the whole question of the broad plan of investment it has in mind for its present term of office.

It should not be thought that all capital investment waits upon the edict of the Capital Issues Committee. Undistributed profits and depreciation allowances will continue to be available without official permission sought or obtained. The importance of this uncontrolled sector of the economy may be gauged from the official estimates of depreciation allowances and undistributed profits (after tax) for 1938—no less than £440 million and £170 million respectively, compared with £118 million raised by new capital issues. While comparison of these figures indicates the area of capital availability still left free of control, it is to be emphasised that reinvestment of depreciation allowances and undistributed profits in new income-producing assets, especially plant and equipment, and the stimulus to the whole productive apparatus which such reinvestment produces, is of vital importance in the coming years.

Nationalisation of the Coal Industry

This article does not purport to discuss the politics or economics of the Coal Industry Nationalisation Bill. It is limited to an examination of those aspects of the new legislation which are of most technical interest to the professional accountant. These aspects fall into two main groups. Firstly, the composition and duties of the many Boards or other bodies set up under the Bill. Secondly, the principles and machinery for the assessment and payment of compensation.

Bodies set up under the Bill

No less than nine Boards or similar bodies are being established. They are as follows:

1. A National Coal Board.
2. A Compensation Tribunal.
3. A Central Valuation Board.
4. District Valuation Boards (number unspecified, but probably about twelve).
5. A Panel of Referees.
6. A Tribunal for adjusting the rights of debenture-holders, preference shareholders and other shareholders.
7. An Industrial Coal Consumers' Council.
8. A Domestic Coal Consumers' Council.
9. A Panel of Arbitrators.

The functions and membership of these various bodies may be briefly described.

1. *National Coal Board*

This Board will take over and administer the coal industry generally. Certain assets of colliery concerns will be compulsorily vested in the Board without any option. These assets comprise coal mines, coke ovens, distillation plants and the like. The second class of assets, consisting of such ancillary items as colliery stores, housing property and farms, will pass to the Coal Board at its option or option of the owners. Another class comprising (*a*) all other assets of collieries, except iron and steel works, and (*b*) certain items, mainly manufactured fuel plants, not operated by collieries are to pass to the Board at its option or at the option of the owners, subject to arbitration.

The Board is to consist of nine members appointed by the Minister of Fuel and Power for their experience and capacity in business, finance or the organisation of workers. It is not yet known whether the members are to be all whole-time or whether some will be part-time, nor have their salaries been disclosed—on both points it is understood there has been some dissension in the Cabinet. It is to be noted particularly that on broad issues the Chairman and members of the Board will evidently be expected to defer to the wishes of the Minister.

2. *Compensation Tribunal*

In advance of the publication of the Bill, the " terms of reference " of this Tribunal were agreed between the Ministry and the Mining Association. Thus, there is little point in discussion in the debate on the Bill regarding the composition and functions of the Tribunal—an unfortunate instance of legislation by the executive. By the terms agreed, the Tribunal is to be composed of two Supreme Court Judges to be appointed by the Lord Chancellor, one of whom is to be Chairman, and an accountant to be agreed between the Minister and the Mining Association, or in default of agreement, to be nominated by the President of the Institute of Chartered Accountants. It is to fix the global compensation for all colliery concerns combined, excluding their value for purposes subsidiary to the actual getting of coal, in the way explained later in this article.

3. *Central Valuation Board*

If it is unfortunate that the terms of reference of the Compensation Tribunal should in effect be fixed in advance of any opportunity for Parliamentary debate, it is equally unsatisfactory that the Bill provides no guidance as to the membership of this Board. It is to be appointed under regulations by the Minister, and it is probable that these regulations will not be laid on the table of the House of Commons until the Bill has been passed. Since the function of the Board is to apportion among districts the global compensation fixed by the Compensation Tribunal—a function clearly involving accounting considerations—it is to be expected that the accountancy profession will be represented on the Board.

4. *District Valuation Boards*

Here again the composition of the Boards will be unknown until regulations by the Minister are forthcoming. In even greater measure than with the Central Valuation Board, the duties of these bodies are primarily accounting ones, for they will be charged with:

(*a*) determining the value of each colliery unit in the country on a going concern basis (" the amount which it might have been expected to realise if this Act had not been passed and it had been sold on the primary vesting date in the open market by a willing seller to a willing buyer, no allowance being made on account of the vesting being compulsory ") ; and

(*b*) determining how much of the value of each colliery unit relates to the actual getting of coal and how much is value for subsidiary purposes.

5. *Panel of Referees*

This Panel will be a body of persons, again to be appointed under regulations, one of whom will be required, if necessary, to review the determinations of a District Valuation Board—a matter which again involves accounting technique.

6. *Tribunal for Adjustment of Rights*

If the classes concerned fail to agree, by not less than a 90 per cent. majority, adjustments between classes of debenture holders and shareholders in colliery concerns consequential upon the receipt of compensation, this Tribunal will be required to give directions for such adjustments. Some implications of adjustments of this kind are discussed on page 101 of this issue of ACCOUNTANCY.

7. *Industrial Coal Consumers' Council*, and

8. *Domestic Coal Consumers' Council*

These bodies are to be composed of persons, appointed by the Minister, engaged in organising or effecting the sale or supply of coal and to consider and report to the Minister on matters affecting the sale or supply of coal in general. They will apparently be purely advisory and are somewhat apart from the other bodies established under the Bill.

9. *A Panel of Arbitrators*

The Lord Chancellor is to appoint a Panel of persons to act as arbitrators for the determination of any question which, under the Bill, may be referred to arbitration. It should be noticed that the global compensation fixed

by the Compensation Tribunal (2 above) is not referable to arbitration.

The Assessment and Payment of Compensation

The compensation payable to a colliery concern is split into two parts. The first part is payable for the "coal industry value" of the concern, that is to say, its value for purposes of coal-getting proper. The second part is payable for the value of the concern for all subsidiary purposes. The fixing of this second part involves far less complications than the first, for it has to be assessed, for each concern separately, by the appropriate District Valuation Board on a going concern basis.

The first part of the compensation, that due for coal industry value is, however, subject to a round-about and complicated method of assessment. The steps are as follows:

1. The Compensation Tribunal will in the first instance fix the global compensation for the whole of the industry on the basis of the expected realisation value of the assets if sold as one unit in the open market as assets of a going concern by a willing seller to a willing buyer on the basis of:

(*a*) The net annual maintainable revenue; and

(*b*) the number of years' purchase

but the effects of nationalisation are not to be taken into account.

2. Each District Valuation Board will determine the value, on a going concern basis, of colliery units in its district.

3. Each District Valuation Board will determine how much of the value fixed as in (2) is coal industry value.

4. In order to make the determination as in (3), the District Valuation Boards will have from the Minister a statement of the proportion of the value of a colliery concern due to its coal industry value, on the one hand, and that due to its value for subsidiary purposes on the other hand. If the Minister's determination on this point is questioned, two accountants, being members of firms of independent accountants which have acted for colliery owners and mine workers on district wage ascertainments, are to fix the apportionments.

5. If necessary, the District Valuation Board's determinations are to be reviewed by a referee drawn from a Panel of Referees.

6. The global compensation (fixed as in (1)) will then be apportioned among valuation districts by the Central Valuation Board in the proportion which the coal industry value of colliery units in each district bears to the coal industry value of all colliery units in all districts combined.

7. Each colliery unit will receive an amount of compensation bearing the same proportion of the coal industry value of the unit (as fixed by the District Valuation Board) as that part of the global compensation apportioned to the district bears to the coal industry value of all colliery units in that district.

The Bill further provides for compensation of two other kinds. Firstly, revenue lost during the period following the vesting of colliery assets in the Board and preceding the payment of compensation for them is partially recoverable for a period of two years. In each year the amount of this "revenue payment" is to be the equivalent of one-half the profits (computed on income tax principles) for a prescribed year before the vesting date. After the two years only interest on the capital compensation is payable. The limitation of the revenue payment to one-half the pre-vesting profits seems unduly harsh, and since the final assessment of compensation is bound in many cases to take considerably longer than two years, we see no adequate reason for this period being fixed as the limit.

Secondly, if the overheads of a composite concern are increased as a result of the severance of its colliery activities and their vesting in the National Coal Board, the increased overheads attract compensation for a period of five years after the vesting date. The increased overheads are to be settled by the District Valuation Board, subject to provision for review by the referees in accordance with regulations to be introduced. It should be particularly noted that there is no provision for the reimbursement of increased direct charges caused through severance.

With a few exceptions (including revenue payments and payments for stocks) all compensation is to be settled in the form of Government stock, which may, by Treasury direction, be non-transferable, except in cases where (i) the company is being wound-up or (ii) debentures are being paid off, or (iii) capital is being returned to members, or (iv) creditors are being paid, or (v) the companies require to sell the stock for an extension of business. This particular provision, which has been the subject of much criticism, is discussed further on page 101 of this issue of ACCOUNTANCY.

The compensation process is thus extremely complex and prolonged. Attention may be directed particularly to the tortuous paths leading from the Compensation Tribunal to the individual colliery concern, along which there is carried a parcel of compensation successively reduced in value, until the concern is finally left with its share of the global figure covering all coal-getting assets in the country. The principles on which this global figure is to be fixed appear indistinguishable from those upon which the District Valuation Board will assess the concern's "coal industry value," so that in strict theory the global compensation should be the same as the summation of the coal industry values of all the concerns in the country. If that were so, it would have been sufficient, and much simpler, to have taken the coal industry value, as fixed by the District Valuation Board, for purposes of compensation. But it is evident that, in practice, the global compensation will be less than the total of coal industry values. While the individual concern will obtain its part of the global figure, in the proportion that its coal industry value bears to the aggregated coal industry values, it cannot expect this part in fact to equal its coal industry value. The method of computation chosen has the precedent of the Coal Act of 1938 in its favour, for coal royalties were similarly valued under that Act. There may also be some virtue in knowing, in advance of all the thousands of assessments by District Valuation Boards, the total compensation payable for coal-getting assets, though since values for subsidiary purposes are to be determined by the Boards alone, the compensation

accounts cannot be finally balanced until the Boards have done their work. But the ordinary accountant will, we think, remain unconvinced that the proper compensation is a share of a lump sum figure fixed by a compensation Tribunal on very broad lines, and not the valuation placed upon a unit as a going concern. It may be appropriate that the criterion, laid down by the Trades Union Congress, of "net maintainable revenue," should enter into the valuation for compensation purposes, but this measuring-rod, if anything so indefinite and elastic can be so termed, could be applied to the individual concern in assessing its going concern value just as well as to the industry as a whole.

Solicitors and Accountants*

The Council of the Law Society have been considering with professional bodies representing accountants various questions which arise when, as so often happens, solicitors and accountants are both concerned in the administration of the estate of a deceased person.

Section 49 of the Solicitors Act, 1932, as amended by Section 23 of the Solicitors Act, 1941, imposes penalties upon any person without certain prescribed legal qualifications who takes instructions for, or draws, or prepares, any papers on which to found or oppose a grant of probate or of letters of administration unless that person can show that the act was not done for or in expectation of fee, gain or reward, either directly or indirectly. Similar penalties are imposed by Section 47 of the Solicitors Act, 1932, as amended by Section 23 of the Solicitors Act, 1941, upon an unqualified person who in similar circumstances draws or prepares any instrument relating to real or personal estate, subject to certain exceptions.

The normal procedure in connection with the administration of the estates of deceased persons is for the solicitor to take the instructions of the personal representatives and to prepare the necessary papers to lead to the grant. In their preparation, and particularly in the preparation of the Inland Revenue Affidavit, the solicitor may, in some cases, need the help of an accountant. In such cases the solicitor acting for the personal representatives normally instructs the accountant to prepare those schedules and figures with regard to which his assistance is needed. Where the acts are done on the instructions of a solicitor, *prima facie* the solicitor would not be seeking to procure a breach of the law, as, whatever the solicitor may delegate, he cannot rid himself of his responsibility to his client to carry out the business with proper care and skill.

In exceptional cases questions may arise as to the extent to which an accountant may function in such matters. Accordingly, the opinion of leading counsel has been taken on the whole question. After commenting in his opinion that the fa t that this subject is still in doubt is a tribute to the reasonableness of the professions concerned, counsel expresses the view that an applicant for a grant may act in person or instruct someone else to prepare the necessary documents and carry the matter through. If he decides to instruct someone else, he must instruct a solicitor. If he acts in person he may obtain assistance, provided he does not employ someone who is not a solicitor to draw or prepare the necessary documents. Where assistance leaves off and infringement begins is a question of fact in each case.

With regard to the expression "papers on which to found or oppose a grant of probate or letters of administration," counsel considers that such papers consist of writs, notices of and cases on motion, pleadings and affidavits and their exhibits. Normally the papers consist only of affidavits and their exhibits, and counsel specifically includes the affidavit. In the ordinary course, the accountant's work will be done in connection with the affidavit. Counsel indicates a marked distinction between drawing or preparing a document and supplying materials upon which someone can draw or prepare it. He does not think that supplying schedules of figures for the use of the draftsman is either drawing or preparing a document. Thus to do so for an executor or an administrator who is acting in person is permissible, so long as the person who supplies the material leaves the applicant to prepare his own document.

A practising accountant who is appointed executor with power to charge can, whether instructing a solicitor or applying in person, charge for the accountancy work entailed in the collection of material for the purposes of obtaining probate, but not for actually drawing or preparing any of the documents necessary to the grant. Where there is no power to charge, the executor must act gratis, and it is immaterial whether the work done falls within his professional competence or not, or whether a solicitor is instructed or not. The same applies to an applicant for a grant of letters of administration.

Counsel further takes the view that where a professional accountant is directly instructed by the personal representatives to prepare material which is transmitted by him to the solicitor, either direct or through the personal representatives, he is giving professional assistance, and the case does not fall within the section. He can properly prepare and supply material so that the solicitor may, on his own responsibility, incorporate it wholly or in part in documents or reject it as he thinks the circumstances require.

Counsel feels that the words "takes instructions for or draws or prepares" may cause very considerable difficulty, but only in connection with papers upon which to found or oppose a grant. So long as an accountant abstains from taking such instructions and from drawing and preparing such papers, the difficulties will not arise. To draw or settle affidavits, notices of motion, and such-like documents, even when schedules of figures are annexed to them, is no part of the duty or work of an accountant.

Accordingly, counsel's opinion is that if an accoun-

* An agreed statement by the Law Society and the professional accounting bodies.

tant limits himself to supplying information and materials which the applicant in person or the solicitor instructed may use for the purpose of preparing the documents upon which a grant is founded, and does not accept instructions to draw or prepare them, or attempt to draw or prepare them himself, he commits no breach of the section. If he goes beyond those limits, he is entering a sphere of practice which is not his, and he must be prepared to suffer accordingly.

It is recognised that the circumstances of cases may vary somewhat, and the accountancy bodies advise that an accountant taking part in an executorship matter should be guided by the considerations set forth in this article; further, it is desirable that he should at an early stage, with the concurrence of the executor, establish relations with the solicitor acting in the matter, where such relationship has not previously been established.

The Councils of the Law Society and of the professional accountancy bodies welcome this opinion as defining as closely as is possible in the circumstances the respective functions of solicitors and accountants in these matters.

The Income Tax Act, 1945

April 6, 1946, is approaching, and with it the appointed day for the coming into operation of the Income Tax Act, 1945. The following notes deal with some points that are already assuming no little importance with the imminence of the appointed day.

Basis Periods

Speaking generally, reliefs are to be given in the same way as wear and tear allowances, i.e. in the assessment. It therefore becomes necessary to examine the expenditure in the accounting period on which the assessment is based, that being the basis period. In the case of businesses that have got beyond the new business rules, this aspect is simple. In future we can say: "Last year's accounts give the basis of this year's assessment, wear and tear allowances and the new reliefs."

In the first few years of a business, special rules are laid down to conform with the rules of assessment. These must wait; we are here concerned with the general cases.

When do the Allowances Start?

The following summary will be useful, bearing in mind that special rules apply to new businesses:—

		First Year of assessment affected
Initial Allowance		
Industrial Buildings (S. 1) Plant and Machinery (S. 15) Mines and Oil Wells (S. 26)	Expenditure in basis period and on or after April 6, 1946	1947–48
Annual Allowance		
Industrial Buildings (S. 2)	The year of assessment in which April 6, 1946 falls	1946–47
Plant and Machinery (S. 16) (new wear and tear rates)	The basis period for the year of assessment in which April 6, 1946 falls	1946–47
Mines and Oil Wells (S. 27)	Expenditure on or after April 6, 1946, and before the end of the basis period for the year of assessment	1947–48
Farm Houses and Buildings (S. 33)	Expenditure on or after April 6, 1946, in the year precedingtheyear of assessment. (The year will end on March 31 unless otherwise agreed with the Inspector of Taxes, e.g. where accounts are regularly made up to another date.)	1947–48
Patent Rights		
Annual Allowance (S. 35)	Expenditure incurred in the basis period, and on or after April 6, 1946	1947–48
Assessment on proceeds of Sale of Patent Rights (S. 37)	Sums received on or after April 6, 1946 (Case VI, but spread unless otherwise desired)	1946–47
Trade Marks and Designs (S. 62)	Expenses on or after April 6, 1946	1947–48
Scientific Research		
Capital Expenditure (S. 45)	Expenditure on or after April 6, 1946 (including expenditure since January 1, 1937) spread—S. 28, Finance Act, 1944	1947–48
Revenue expenditure (S. 44)	Expenditure after April 6, 1946 (including expenditure since April 6, 1944)	1947–48

It will be seen that, owing to the "basis period" principle, the first reliefs will arise normally in 1947-48, except in the case of the annual allowances on industrial buildings and the wear and tear of plant and machinery, where 1946-47 will be the first year of assessment affected.

Mills, Factories, etc., Allowance

If there was a claim for this allowance (under Section 15, Finance Act, 1937) for 1945-46, the allowance will continue for five years, i.e. until 1950-51, unless the trader elects to stop it mean-

while (Section 76). In such cases, the annual allowances under the 1945 Act will not start until the year of assessment following the year of assessment in which the last mills, etc., allowance was obtained.

Old Industrial Buildings

Here it will be necessary to find out the cost and the date of the expenditure on their erection; no mean task. If the expenditure was within 50 years prior to April 6, 1946, one-fiftieth of the cost will be allowed year by year from 1946-47 onwards (or such later date as may arise where the mills, etc., allowance continues), until the expiry of 50 years from the date the expenditure was incurred (Section 2(*b*)).

Expenditure between April 5, 1944, and April 6, 1946

In the cases of industrial buildings, machinery and plant, and farm houses, etc., any expenditure on or after April 6, 1944, and not later than April 5, 1946, is deemed to be made on April 6, 1946.

This gives rise to some peculiar results, as will be seen hereunder.

Industrial Buildings

Expenditure, April 6, 1944		£50,000
Mills, factory, etc., allowances—		
1944-45	£300	
1945-46	300	
		600
Amount on which initial allowance is to be calculated (S.1(3))		£49,400

The above assumes that notice to terminate the mills, etc., allowance is given at once. If this is continued for the five years, the position will be :—

Cost	£50,000
Mills, etc., allowance for 7 years to April 5, 1951	2,100
Initial allowance calculated on	£47,900

and given in 1952-53 (S.7(3)) and not 1951-52.

In both cases, however, the annual allowance will be £1,000, though postponed in the second case until 1951-52.

Plant and Machinery (see S. 16)

Accounts made up to December 31 each year. Rate of Wear and Tear allowance, 20 per cent.

Expenditure on new (or second-hand) plant, April 6, 1944	£50,000	
Normally, wear and tear allowance would have been claimed for the first time for 1945-46	10,000	+2,000
	40,000	
Deduct above additional allowance ...	2,000	
	38,000	
Wear and Tear allowance, 1946-47, 5/4ths of 20 per cent.	9,500	
	28,500	
Initial allowance (1947-48), 1/5th of written down value at 6.4.46 ...	7,600	
	20,900	
Wear and Tear Allowance, 1947-48 ...	5,225	
Written down value 5.4.48	15,675	

In the case where it has been the practice to claim wear and tear allowance from the date of purchase, the following position may arise :

Accounts to June 30th—		
Cost, July 1, 1945	£10,000	
Wear and Tear Allowance, 1945-46, at 10 per cent. per annum for 9 months	750	+150
	9,250	
Deduct Additional allowance ...	150	
	9,100	
Wear and Tear Allowance, 1946-47, 5/4ths of 10 per cent.	1,138*	
	7,962	
Initial Allowance 1947-48, 1/5th of £9,100	1,820	
	6,142	
Wear and Tear Allowance, 1947-48	768	
Written down value 5.4.48	5,374	

* Although the plant at the end of the basis year (June 30, 1945) is to be taken as the plant in use during the year of assessment (S. 16(1)), it is thought that a wear and tear allowance as above will in practice be given in such a case for 1946-47. It may not, however, since under the new ruling, plant acquired in the basis period, the year to June 30, 1946, would not be eligible for allowance until 1947-48.

Other Machinery Cases

Accounts made up to June 30; plant bought May 1, 1946, £20,000, attracting wear and tear allowance of 7½ per cent. normal, five-fourths of which is 9⅜ per cent.

Cost	£20,000
Initial allowance, 1947-48	4,000
	16,000
Wear and Tear allowance, 1947-48, based also on £20,000	1,875
	£14,125

The basis period is the year to June 30, 1946, for the year of assessment, 1947-48, therefore both the initial allowance (Section 15(1)) and the wear and tear allowance (Section 16 (4)) apply for 1947-48.

Sections 16 (3) (*b*) and 16 (4) do not appear to provide for deducting the initial allowance in the same year, as Sub-section (4) speaks of deductions "previously" allowed, and Sub-section (3) of the amount still unallowed at the beginning of the year. Since it is an "initial" allowance, however, it would seem proper to deduct the initial allowance first; the provisions do not seem to go so far, as the allowance is for the year of assessment.

We shall return to this Act from time to time. Interpretation of the Act is not easy, and if our readers have views upon the points raised above, we shall be happy to hear from them.

National Insurance Bill

The following tables set out some of the main figures involved.

INCOME AND EXPENDITURE, 1948-1978 (in £ million)

	1948	1958	1968	1978
Estimated Expenditure				
Benefits under the Bill	452	545	678	749
Estimated Income				
Interest on assets of National Insurance (Reserve) Fund ...	21	21	21	21
Receipts from contributions under First Schedule to Bill — insured persons	175	189	189	176
Receipts from contributions under First Schedule to Bill — employers ...	138	145	146	136
Receipts from contributions under First Schedule to Bill — Exchequer (*a*)	82	83	83	78
Total income	416	438	439	411
Balance of expenditure, to be met from Exchequer (*b*)	36	107	239	338
Estimated cost to the Exchequer				
Benefits under the Bill (*a*)+(*b*)...	118	190	322	416
Assistance	57	53	45	36
Total cost to the Exchequer...	175	243	367	452

COMPARATIVE STATEMENT OF MAIN BENEFIT RATES

	New Proposals	Present Scheme
WEEKLY RATES		
Sickness	26s.	18s. (man) (10s. 6d. after 6 months)
Unemployment ...	26s.	24s. (man)
Retirement	26s.	10s. (O.A.P.)
Increases for Dependants		
Wife or other adult	16s.	None on sickness benefit; 16s. on unemployment benefit; 10s. O.A.P. for wife over 60
(Wife only in the case of retirement pension)...		
First child	7s. 6d.	5s. (on unemployment benefit only)
Widows and Orphans		
Widow's Allowance (first 13 weeks)	36s.	Widow's pension of 10s. with allowance of 5s. for first child
Widowed Mother's Allowance	33s. 6d.	
Widow's Pension ...	26s.	
Guardian's Allowance	12s.	7s. 6d. (Orphan's Pension)
Maternity		
Maternity Allowance (for 13 weeks)	36s.	None
Attendance Allowance (for 4 weeks)	20s.	None
GRANTS		
Maternity Grant ...	£4	£2 (plus £2 if wife also insured)
Death Grant (Adults)	£20	None

THE MAIN CONTRIBUTION RATES

	Employed Person	Employer of Employed Person	Self-employed Person	Non-employed Person
	s. d.	s. d.	s. d.	s. d.
Men over 18 ...	4 7	3 10	5 9	4 8
Women over 18	3 7	3 0	4 10	3 8
Boys under 18 ...	2 8	2 3	3 4	2 9
Girls under 18 ...	2 2	1 9	2 11	2 3

These rates exclude contributions under the industrial injuries insurance scheme, but include contributions to the new health service.

Men aged 70 and over and women aged 65 and over will pay no contributions. Men aged 65 to 70 and women aged 60 to 65 will pay contributions only if they are working and have not retired from regular employment. These provision will not affect the employer's liability to pay contributions.

Publication

Business Finance and Accounts. By Donald Cousins, Chartered Accountant. (Gee and Co. (Publishers), Ltd., London. Price 15s. net.)

Although this is primarily a book for the student, it is not a text-book, but rather a link between theory and practice. It commences with an explanation of the changes in the legal forms of business ownership in the light of the economic changes of the past century from the one-man business to the holding company.

A short description of the private company follows, and then a useful commentary on the capitalisation of a new public company, setting out a typical problem of which three different solutions are described and examined. In following chapters, the obligations of directors and the rights of shareholders are discussed, and the preparation of consolidated statements for groups of companies is described in sufficient detail to enable the principles to be clearly grasped. The preparation of short-period statements for the information of a board is outlined. There is a summary of the duties of the finance officer and discussions on policies of depreciation and some aspects of cost accounts. The author seems to have included those aspects of accounting which have interested him most and he will, therefore, undoubtedly succeed in providing valuable assistance to his readers.

At no point is this book comprehensive in its treatment, but nowhere does it fail to stimulate.

Books Received

Studies in Practical Banking. Being the Gilbart Lectures for 1932-1935. By R. W. Jones, F.I.B. Second edition. (Sir Isaac Pitman and Sons, Ltd., London. Price 10s. 6d. net.)

Palestine Income Tax Guide. By G. Eichelgrün. (Paltax Publishers, Haifa. Empire distributors: Sweet and Maxwell, Ltd., London. Price £3 net.)

Ideas Have Legs. By Peter Howard. (Frederick Muller, Ltd., 29, Great James Street, London. W.C.1. Price 7s. 6d. net.)

The Stock Exchange Since 1939. An outline of the main alterations to the rules and practices. (E. Couchman and Co., Ltd., 23, Throgmorton Street, London, E.C.2. Price 1s. 6d. net.)

The Bills of Exchange Act, 1882, and Negotiable Instruments Generally. By Maurice Megrah, M.Com., Barrister-at-Law. (Sir Isaac Pitman and Sons, Ltd., London. Price 8s. 6d. net.)

Company Law in a Nutshell. By J. A. Balfour. Third edition. (Sweet and Maxwell, Ltd., London. Price 6s. net.)

Law of Negotiable Instruments in a Nutshell. By H. Alleyn Palmer, M.A., Barrister-at-Law. **Law of Sale of Goods in a Nutshell.** By J. A. Balfour, Barrister-at-Law. (In one volume.) (Sweet & Maxwell, Ltd., London. Price 5s. net.)

Chalmers' Sale of Goods Act, 1893, including the Factors Acts, 1889 and 1890. Twelfth edition, by Ralph Sutton, K.C., and N. P. Shannon, Barrister-at-Law. (Butterworth & Co. (Publishers), Ltd., London. Price 17s. 6d. net.)

The Registrar of Business Names in England and of Limited Partnerships in England has returned from Llandudno to London. His offices are now at Bush House (South West Wing), Strand, London, W.C.2.

Christianity and Modern Industry

By the Right Rev. The Lord Bishop of Lichfield*
(DR. EDWARD S. WOODS)

Let me say at once that I count it an honour to be asked to preach to you on this occasion. And the fact that most of you are just re-entering civil life after absence on war service adds to my sense of responsibility and of privilege.

A great deal could be said by way of Christian comment on the post-war situation. For instance, I am myself convinced that we are living in a Day of God's judgments; I believe that the recent gigantic Allied victory is a gift of God; through that victory we and the rest of the nations are given a chance to rebuild our civilisation in accordance with God's plans and purposes.

But I feel sure you would wish me—as one who, I suppose, would be described as a Christian leader—to address you in your capacity as Incorporated Accountants, and to show you, if I can, where your work fits in with the Kingdom of God. From your point of view I am, of course, the complete layman. But I have done my best, through reading and through consultations with members of your profession, to find out what it is you do as accountants, and then to form some judgment as to where and how Christianity touches, or might touch, your accountancy work. I am only sorry that it is hardly possible for you to do the opposite, and as accountants to tell me what you think a bishop should be saying and doing in these chaotic times.

It is not, I hope, necessary for me to argue that Christianity must concern itself with all the details of what is called secular life. The Christianity of Jesus Christ cannot stand aside from life's rough and tumble. The Lord's Prayer asks that God's Kingdom may come, "on *earth* as it is in heaven." God's love and power are to operate here and now, on this earth; though the extent of their successful operation is necessarily to a large extent conditioned by man's faith and his willingness to co-operate with God's goodness. If by politics we mean the plans and principles by which society organises itself, and if by economics we mean the way in which it produces and consumes the things which it needs, then obviously these things are the concern of any religion which purports to give direction for all human living. You cannot chop up human life or personality into watertight compartments or divisions. You cannot conceivably draw a line and say "religion is religion but business is business."

But now let us try to get to closer grips with our subject. Your work is an integral part of the whole industrial machine; the course taken by thousands of industrial undertakings depends in large measure on your fact-findings and on your advice. Well, what is happening in industry? Where is it tending? Are there any clear moral judgments which might well be held by a man of integrity, and especially any man of Christian principle, on the way in which industry works and the way in which it might work? In answering such questions, let me first express my belief that there are thousands of industrialists, business men and accountants in our land who, within the framework in which they find themselves, do honestly try to live and work by Christian principles. But what about the framework itself?

Look at the thing historically. The story is by now familiar. In came the steam age (and later, of course, electricity) and with it the railways, the canals, the mills, the vast factories, the big stores, the slum towns, the wealthy Victorian magnates with their pompous residences and their opulent and ugly furniture. And along with all this—what? Abject misery for a great mass of the population; women and children toiling down in the mines, tiny boys thrust up the chimneys, millions living always in penury and sometimes on the edge of starvation. And what was the theory behind such an economic structure? The theory was that enlightened self-interest, unfettered by State control, could enrich men more quickly than any other means. It certainly did so—but at what an appalling cost of sheer human misery! "It was the paradox," says Mr. Arthur Bryant in his brilliant book, *English Saga*, "of the nineteenth century that the practice of a sturdy and often heroic individualism, which increased the potentialities of human wealth out of measure, unwittingly created social injustice and inhumanity on a scale formerly unknown to Christians."

But despite the economic theories and the get-rich-quick activities, mercy and pity have never been dead in this country; and throughout the period all the political and philanthropic forces which make for social betterment have been gathering impetus. I know it is the modern fashion to deride progress as an outworn liberal notion; nevertheless if anyone will compare the general level of life, and the standard of public opinion on social matters, in 1845 with 1945 he will be compelled in honesty to admit that the change is little short of miraculous. Events have indeed moved full cycle from the Reform Bill of 1832, through the era of social and industrial legislation, to a strong Labour Government in office at the present day—though in pointing to that evolution I am not to be taken as expressing an opinion as to which kind of Party government is likely best to promote the national well-being!

But the change is not merely from *laissez-faire* to controls; a deep change in men's thinking is going on, and many are asking questions about the whole nature and purpose of our modern economic structure. There are, it seems to me, two main lines along which such thought is moving, and where, as a Christian, I personally believe reform is due—indeed overdue.

(1) There is need to shift the emphasis from pro-

* A slightly condensed report of the sermon given to Incorporated Accountants during the Refresher Course at Oxford by the Bishop of Lichfield in New College Chapel on Sunday, December 16, 1945.

duction to consumption ; from the financial rewards of the producer to the material needs of the consumer. I am well aware that, within certain limits, the profit motive, for the individual and for the business, is right and reasonable ; but I submit that it has come to bulk too large in our economic system, and been largely responsible for pushing up prices, restricting output, encouraging irresponsibility, and impeding a healthy community life. We have largely become a materialistic society, even an acquisitive society, with life's true values left out of sight ; and in such a society there are, as there are bound to be, a thousand points where there is an absolute clash with the Christian law of love. " The enhancement of acquisitiveness renders men blind to the supreme common purpose at which a justly ordered society must aim." Nor do I believe that industries which subordinate profit to human considerations are bound to be unsuccessful ; there are plenty of instances to prove the contrary.

(2) The other demand which the Christian conscience makes on industry might perhaps be stated in this way. For better or worse we are in the machine age, but we can and we must arrest the terrible process of dehumanising the men and women who work the vast machine. God says that man, every single human being, has absolute worth ; and that Christ died for him. Christ has also shown just how human beings may live together in happy and harmonious relationships.

I am not now thinking in terms of a redistribution of the nation's wealth, though that process has already gone very far indeed. Far more fundamental is the change of attitude involved, which must show itself in personal relationships ; employers and employed, management and men, and the thousand little mutual relationships of ordinary folk. My own diocese of Lichfield, comprising all Staffordshire and half Shropshire, contains some very large industrial areas, including the Black Country as well as a good many coal-mines. I like to make contacts with men and women in the places where they work. On two occasions lately I have spent several hours down a coal-mine. It was well worth while for the friendly and indeed intimate talks I got with the men. I talked with a man right at the coal-face, who gave it as his opinion that so much of the problem of the mines is a purely personal problem, depending on things like sheer honesty, a sense of responsibility, and really trustful relationships between the workers from the top to the bottom. Indeed, in another mine that I know of, owing to a recent fresh infiltration of the Christian spirit, they have evolved a kind of family atmosphere and most successful methods of working as a team, with transfiguring results both for their own happiness and—incidentally—for the output of coal.

But our question at this moment is just this : how far is the work of your profession partly responsible for the general lay-out of modern industry, and, supposing that any industrial reform in a more Christian direction is desirable and possible, in what way can your profession set forward such reform ? I suppose the crux of the matter lies in this question of profit. I for one am quite clear—as I have said already—that the profit motive is not wrong in itself ; a judgment which has been backed by the findings of a conference of economists and theologians, presided over by the late Archbishop Temple, who gave it as their opinion that the profit motive, as such, is " ethically neutral." It is the predominance of the profit criterion over all other considerations which is questioned, and the tendency to make profits a rigid and universal measuring rod for every kind of industry. I own that here I am swimming in rather deep waters ; but by way of holding on to a plank let me quote the considered and published statement by one of your own profession, who wrote as follows : " The profit motive is independent of the personal incentive. It is, in fact, not so much an incentive as a directive. If, in fulfilling its function in society, a business is made to understand that its primary object is to make profits, and the more the better, and if society not only makes the earning of profit a measure of success, but also makes the avoidance of loss a condition of survival, then it means that in that business almost every decision having financial implications must be reached primarily by reference to the question of profitability. Nor is the effect merely local ; for as with the single business, so with the whole of industry."

Now—if I may continue these uncomfortable probings—must your great profession, fulfilling its function as philosopher and guide to industry, use always and only this particular measuring rod of " profitability " ? Are there other questions which ought to be asked in addition to the money questions ? In tendering advice to industry do you not also carry an indirect responsibility towards the community ? Is it right to serve my near neighbour well if my more remote neighbours suffer as a result of that service ?

I must not, however, be thought to overlook the prime necessity of every industry being run economically and efficiently. It is certainly no part of a Christian's calling to be inefficient in his daily work ; indeed, as a Christian it is his bounden duty to do his job just as well as ever he can do it.

In raising these issues I am not, believe me, unmindful of the great reputation which your profession bears as consistently upright yourselves, and as the watchdogs of general commercial uprightness. That, thank God, may still be assumed in our England ; and, within the generally accepted industrial framework, I have no doubt there are numbers of accountants putting their Christian standards and Christian values into their job. But that fact does not absolve us from raising these further questions to which I have been drawing attention.

If you want God to re-create the world, you are bound in honesty to say to Him, O Lord begin with me. And He *does*, if you let Him ; and it is, of course, a life-long process. But thus to accept Christ's mastery does bring a sense of life being renewed and worth-while. You can face with confidence this chaotic post-war period. You have something to live for : everything has a new significance ; all human relationships are transfigured ; and you taste the joys of the Divine companionship, as you surrender yourself to that service which is perfect freedom.

TAXATION

E.P.T. Refunds—II

Effect of N.D.C.

Section 28 of the Finance Act, 1941 (as amended by Section 37, Finance Act, 1942), provides that the refund of E.P.T. is to be the amount (if any) by which the total sum paid by way of E.P.T. and N.D.C., less any repayments, for the relevant chargeable accounting periods (i.e., those between April 1, 1940, and December 31, 1945, both dates inclusive) exceeds the amount of E.P.T. and N.D.C. that would have been payable had E.P.T. been 80 per cent. for those periods. (The refund is not to affect capital computations.) It is therefore clear that in no case can the refund of E.P.T. reduce the E.P.T. ultimately borne below the N.D.C. liability for all relevant chargeable accounting periods (C.A.Ps).

Where the taxpayer is an individual carrying on the business either alone or in partnership, he has an option to have the income tax (including surtax) on the refund computed as if the refund were spread backwards over the C.A.Ps to which it relates. For this purpose, the following provisions have effect (Section 50*) :

(1) N.D.C. is apportionable, where necessary, on a time basis to arrive at the amount for any C.A.P. which overlaps the C.A.P. for E.P.T. purposes.

(2) The refund is to be related to the C.A.Ps in which there was "extra tax." Where there is extra tax in every C.A.P., there will be no difficulty in calculations, but if the refund is less than 20 per cent. of the total E.P.T. it will be necessary to compute the amount for the particular C.A.Ps by apportioning to each C.A.P. the proportion of the refund that the extra tax for that C.A.P. bears to the extra tax for all periods to which the refund is referable.

(3) Where the E.P.T. for any relevant C.A.P. exceeds the N.D.C. for that period, the "extra tax" will be the smaller of the following amounts :
(*a*) twenty per cent. of the E.P.T. for the period, or
(*b*) the excess of the E.P.T. for the period over the N.D.C. for the period.

If the N.D.C. is equal to or exceeds the E.P.T. in the case of all relevant chargeable accounting periods, there is to be deemed to have been extra tax for all the chargeable accounting periods for which there was E.P.T., equal, in the case of each such period, to 20 per cent. of the E.P.T. for that period.

The E.P.T. for any C.A.P. is to be computed disregarding deficiency relief for any deficiency arising in another C.A.P. Likewise, only the N.D.C. for the same C.A.P. is to be taken into account (i.e., the cumulative totals are not to be taken into account, but a comparison between the N.D.C. and E.P.T. of that C.A.P. alone is to be made).

Income Tax on Refunds

In the first place, income tax is to be deducted from all refunds, whenever made, at the standard rate for 1946-47 (i.e., 9s. in the £). The refund will be deemed to be income for all the purposes of the Income Tax Acts (Section 43).

There are two claims available, however. If the refund is to an individual who carried on the original business, either alone or in partnership, in the relevant C.A.Ps, he may claim that the income tax (including surtax) shall be reduced to such extent as may be just having regard to the income tax which would have been payable by him if the refunds had been treated as additions to the profits of the C.A.Ps to which they relate (see above). (Appropriate adjustments *re* wear and tear and carrying forward losses must be made where necessary to prevent double allowances.) A claim under this section must be made by April 5, 1947, unless the C.I.R. extend the time (Section 44).

The second option, which holds for companies as well as for individuals, applies where the net amount of the refund is to be used for the purposes of a business the profits of which are assessable for 1947-48 under Case I of Schedule D. If all the persons so assessable, and the person to whom the refund is payable, give notice in writing by December 31, 1948 (or such extended period as the C.I.R. allow), to have the refund charged in 1947-48 as an additional assessment to any other that may fall to be made, the tax deducted will be treated as paid on account of 1947-48. This section does not apply unless at least one of the persons who carried on the original business in the relevant C.A.Ps also carries it on in 1947-48.

If there is a change in the persons carrying it on in 1947-48, and the trade is regarded as discontinued by virtue of Rule 11 (Cases I and II), the section applies up to the date of the change (Section 45).

Partnerships

Where the original business was carried on in the relevant C.A.Ps by persons in partnership, the following provisions have effect :

(*a*) Ascertain the relevant C.A.Ps to which the refund refers ;

(*b*) Compute the amounts referable to each C.A.P. ;

(*c*) Apportion these amounts among the partners according to their respective shares in profits for each of the periods in question ;

(*d*) A separate refund is then to be made to each partner, unless all the partners have continued throughout all the C.A.Ps and still continue to carry on the business, when one joint payment may be made.

The claims for income tax purposes can, however, only be made by the individual partners (6th Sch.).

Groups of Companies

All E.P.T. or N.D.C. is deemed to have been paid by the principal company, and the business of that company shall be deemed to be the original business. So long as the specified business is being carried on by any member of the group, the undertakings, etc., will not require the approval of the advisory panel.

There must be ascertained for each subsidiary member :

(*a*) The total E.P.T. and N.D.C. for the relevant C.A.Ps which has been borne directly or indirectly by it ;

(*b*) The total N.D.C. paid for such periods in respect of its business ;

(*c*) The total E.P.T. that would have been payable by it if the rate had been 80 per cent.

If the total of (*a*) exceeds the aggregate of the totals in (*b*) and (*c*), an amount equal to the excess is to be paid by the principal company to the subsidiary member, provided, however, that—

(*a*) If the total of the amounts so payable to all subsidiary members exceeds the total refund, the amounts are to abate proportionately ; and

(*b*) The principal company is entitled to deduct and retain the income tax at the standard rate for 1946-47. The subsidiary can claim to have the amount assessed for 1947-48 (see above). (The latter claim will be applicable so long as the original business is being carried on by some member of the group.) (6th Sch.)

* References are to the Finance (No. 2) Act, 1945.

Taxation Notes

E.P.T. Deferred Repairs

Various statements have been made in Parliament that it is the practice of the Inland Revenue to allow part of the E.P.T. corresponding to the estimated amount of deferred repairs and renewals to remain outstanding. " If the repairs and renewals are overtaken, during the lifetime of E.P.T., allowance will be made automatically for them. If they are not overtaken until after the end of E.P.T., then, provided they occur within a reasonable period after the end of the tax, they will be translated back to the lifetime of E.P.T. The fixing of a time limit for this purpose is one of the matters to be dealt with when E.P.T. comes to an end " (Financial Secretary to the Treasury, November 19, 1945). This is also dealt with in Concession 26.

It seems that the full terms of this concession are not always appreciated. In the first place, it is necessary to remember that there is nothing in the statement to admit for E.P.T. any charge that is not admissible for income tax. The repairs and renewals envisaged must therefore be such as will in due course be admissible deductions for income tax purposes. Having established that fact, and the reasonableness of the estimate of the amount of the reserve, the incidence of the repairs is permitted to be thrown back in time (for E.P.T. only) to the period in which the repairs would normally have been done but for the war. When, in due course, the repairs are actually done, they will be allowed for income tax purposes in the usual way but spread back for E.P.T. (as they would in any case have to be under Section 33 (2), Finance Act, 1940).

The concession allows E.P.T. to be held over and then, to the extent that the repairs are eventually done, discharged.

Some taxpayers have ran into difficulties through a change in ownership of the business, e.g., the formation of a company to take it over. Even where the proprietors of the company are the same as those who owned the business previously, it is obvious that repairs done after the change-over could never, on income tax principles, become an allowable expense to the " old " business. Any E.P.T. held in suspense for deferred repairs of the " old " business therefore becomes immediately payable. If there is a complete change in proprietors, there appears to be no redress at present, nor is it thought likely that any provision will be made to allow the old owner to reduce his E.P.T. by repairs he never does.

Where, however, there is a technical change of ownership, such as a company with the old proprietors as the shareholders, the transaction will always be one which must be examined to see whether Section 35, Finance Act, 1941 (as amended by Section 33, Finance Act, 1944) applies, i.e., there is a possibility that the transaction is one that ought to be ignored so far as it affects E.P.T. payable.

Whether or not the transaction is the subject of a direction, the Revenue appear to be willing to continue the deferred repairs reserve in such cases, provided the company assumes the liability to do the repairs, i.e., the deferred repairs are withdrawn from the old owner and transferred to the successor, and no objection is raised to the successor setting up the reserve, which, however, may be subject to the *Law Shipping* case (12 T.C. 621) principle in due course.

Deferred repairs are therefore another important factor to be taken into account before deciding on a change of ownership. For income tax purposes, it may be that the vendor gets a smaller price for the property sold, while the successor has some repairs disallowed as being of a capital nature.

Stock Valuation on Change of Ownership

Several instances have come to our notice recently of disputes between vendor and purchaser as to the value placed on stock where a business has been transferred at an " all-in " price, particularly in the case of farmers. In such a case, Section 26, Finance Act, 1938, applies, and the trading stock belonging to the trade at the date of sale must be brought into the vendor's accounts at the value of the consideration for its transfer, which is the value to be debited in the purchaser's accounts.

The dispute usually comes to light only when the Inspector of Taxes examines the first accounts of the new owner and compares them with those of the vendor. He then suggests that they get together amicably to settle the divergence in figures. If this does not have the required effect, the question must go to appeal, for the purposes of computing the profits of both parties.

It is an appeal where the Revenue can sit back while the two taxpayers fight it out.

If both trades concerned are in the jurisdiction of the same body of General Commissioners (as is the case where a farm is involved), the question must be determined by those Commissioners, unless all parties agree that it be determined by the Special Commissioners. In any other case, it is a matter for the Special Commissioners, i.e., one body of General Commissioners is not to be involved in a case that impinges on the jurisdiction of another.

Recent Tax Cases

By R. A. FURTADO, Barrister-at-Law

E.P.T. Avoidance—Direction under F.A., 1941, *Section 35, resulted in increasing liability—Construction of Direction.*

In *Frodingham Ironstone Mines, Ltd.* v. *C.I.R.* (K.B.D., 1945, T.R. 313), certain transactions entered into with the purpose of reducing liability to E.P.T., together with a Direction made by the Commissioners under F.A., 1941, Section 35, resulted in the appellant company's liability to E.P.T. exceeding what it would have been if the transactions had never taken place and the direction had not been made.

All the shares in the appellant company, and all the shares in another company, Nostell Colliery, Ltd., belonged to certain trustees. As the appellant company was making excess profits, and Nostell Colliery, Ltd., was making a loss, it was decided that the appellant company should buy from the trustees all the shares in Nostell Colliery, Ltd., which would thus become its subsidiary, in order to obtain the benefit of the group provisions whereby the two companies would, in effect, be treated as a single unit for E.P.T. purposes. The purchase was duly made, and the appellant company paid the trustees £19,950 in cash as part of the purchase price, the balance remaining on mortgage. The Commissioners made a direction under Section 35, " That the E.P.T. liability of both companies should continue to be computed on the basis that they remained independent companies to which the provisions of Section

28 and Schedule V of the Finance Act, 1940, do not apply." There was an unsuccessful appeal against this direction on the ground that it ought not to have been made.

The effect of this on the appellant company's E.P.T. computation was that the £19,950 paid to the trustees fell to be regarded as capital paid away for an investment, with a consequent reduction of the appellant company's standard profit, and assessments were made on this footing. The appellant company appealed against these assessments, contending that having regard to the purpose of Section 35, the direction made thereunder could not be construed in such a way as to increase its E.P.T. liability beyond what it would have been if the transaction had never taken place. The Court, however, held that the direction must be taken to mean what it said, i.e., that the liability was to be computed as if the group provisions did not apply, and that in making the computations it was perfectly proper to give full effect to the transaction whereby money had been paid away for the acquisition of the shares.

There will doubtless be many cases which will be affected by this decision, where directions have been made and there is no longer any opportunity of appealing against the direction. It should be noted, however, that the question before the Court was simply one of construction of the direction, and the judgment and decision has no bearing on the question whether in such circumstances the direction ought to have been made in such terms as to bring about this result. The appellant company had already appealed unsuccessfully against the direction on the ground that it ought not to have been made, but not, it appears, on the ground that it ought to be modified. It seems, therefore, that in similar cases the only course open to the taxpayer is to appeal against the direction on the ground that it ought to be modified, although there is no authority for saying that such a course would be successful.

Income Tax—Estate Development Company—Compensation received under Restriction of Ribbon Development Act, 1935—Capital or revenue receipt.

In *Johnson* v. *W. S. Try, Ltd.* (K.B.D. 1945 T.R. 289), the respondent company took over as a going concern in 1936 a business of building contracting and estate development, previously carried on by Mr. Try. The assets taken over included a strip of land in Buckinghamshire; Mr. Try had previously made an application, under Section 2 of the Restriction of Ribbon Development Act, 1935, for permission to erect houses on part of this land, but permission had been refused. After the transfer of the land to the company, a further application to erect houses on the remainder of the land was made, but again permission was refused. Subsequently, on application under Section 9 of the Act, the County Council agreed to pay compensation in respect of the two refusals, in the sum of £4,800. The land being then of no use to the company, it was sold to the County Coucil for £5,350, which sum included the agreed compensation of £4,800. On an appeal by the company against an income tax assessment for 1941/2, which included this sum of £5,350, the General Commissioners decided that the £4,800 compensation was a capital receipt which should not be included in the assessment.

On appeal, the Crown contended that as the land in respect of which the compensation had been paid was part of the stock-in-trade of the company, the compensation should be regarded as a trading receipt. The company contended that the Commssioners' decision was a decision of fact, which was final, and they also contended that in any event so much of the £4,800 as represented compensation for the first refusal (which occurred before the company was incorporated) should be treated as having been received at the date of the refusal, and so could not be included in an assessment on the company. The Court refused to entertain this second point (without stating any opinion as to its merits), as it had not been raised before the Commissioners and was not referred to in the stated case.

On the main point, the Court held that the decision of the Commissioners was wrong in law, and allowed the Crown's appeal. The compensation was in effect paid for the sterilization of the land, so far as building was concerned; although it is clear that compensation for the sterilization of a capital asset, such as a mine, may be a capital receipt (*Glenboig Union Fireclay Co., Ltd.* v. *C.I.R.*, 12 T.C. 427), the land in this case was not a capital asset, but part of the stock-in-trade used in the company's business of land development, and accordingly the compensation for injurious affectation was a trading receipt.

Income Tax—Bad debt—Sum received under arrangement in subsequent year—Trade receipt.

In *Bristow* v. *William Dickinson and Company, Ltd.* (K.B.D., 1945, T.R. 295), the respondents were engaged in the export trade, and in 1935/6 and 1936/7 large sums were owing to them by Spanish customers; these debts, which were then considered good, were included at their full value as trade receipts in the income tax computations for those years. As a consequence of the Spanish revolution, however, the debts were later written off as bad, and in accordance with the normal practice the sums so written off were allowed as deductions in computing the respondents' profits in 1937/8 and 1938/9. Subsequently, following on arrangements made between the governments of Spain and the U.K., a clearing house for Spanish debts was set up, and in 1940/41 and 1941/42 the respondent received through the clearing house considerable sums in respect of the debts; assessments to income tax were made on the respondent on the footing that these sums should be included as trading receipts for the years in which they were paid. The Court held that the assessments were correctly made.

This decision is the logical consequence of the Inland Revenue practice of treating a debt which was originally considered good, but later turns out to be bad, as a trading loss of the year in which it is written off. It is, however, not free from doubt whether this practice has legal support: the question was debated, but not decided, by the House of Lords in *Absalom* v. *Talbot* (1944, A.C. 204, 26 T.C. 166). So long as the practice holds, it is clear that any sum received in a later year in respect of a debt which has been allowed as a bad debt will be included in assessment.

Income Tax—Premium on repayment of loan—Assessable as "interest" under Sch. D. Case III.

In *Davies* v. *Premier Investment Company, Ltd.* (K.B.D. 1945, T.R. 293), assessments had been made under Case III of Sch. D in respect of premiums received by the respondent on redemption of certain notes issued by Gold Exploration and Finance Company of Australia, Ltd. This company, which was engaged in exploring, developing and financing gold mining properties in Australia, created and issued, in 1936, six-year registered and convertible notes for £500,000. The notes did not carry interest, but were repayable with a premium of 30 per cent. in 1942; it was provided, however, that the company might redeem the notes at any time between 1938 and 1942, but in such event the premium, instead of being 30 per cent., should be calculated at the rate of 2½ per cent. for every period of six months or 5 per cent. per annum. Notes were redeemed in

1942, and the premiums were assessed in the hands of the recipients under Case III. The Court decided that the assessments were correctly made, as the premiums should be regarded as "interest of money" within Rule 1 of Case III.

The question whether a premium on repayment of a loan, or a discount on the making of a loan, is assessable under Case III has frequently been before the Courts, and a number of authorities were reviewed by the Court of Appeal in *Lomax* v. *Peter Dixon and Sons, Ltd.* (25 T.C., 353). In that case it was pointed out that a discount or premium can always be reduced to terms of "interest" if one chooses to make the calculation, but in deciding whether it is interest or not regard must be had to the quality which must be attributed to the sum in question; in some cases (and probably in most cases of non-interest-bearing loans) a premium will be nothing more than another way of expressing interest, but in other cases, particularly where the capital risk is a serious one, the premium may be a capital receipt, representing compensation for the capital risk. A common example of the latter case is where debentures are redeemed at a price exceeding the issue price—the difference is a capital accretion and is not normally taxed. In all such cases one has to consider the term of the loan, the rate of interest expressly stipulated, the nature of the capital risk and the extent to which the parties took the capital risk into account in fixing the terms of the contract.

In the present case it does not appear from the judgment whether or not the capital risk was a serious consideration; the two circumstances which were in the Crown's favour were that the loan did not carry interest, and that the amount of premium varied according to when the loan was repaid; as the Judge observed, if the premium were intended to compensate for the capital risk, one would have expected it to be the same whether the loan was repaid in 1938 or in 1942.

Income Tax—Exemption for investment income of superannuation fund under F.A. 1921, Section 32—Repayment claims where rates of Income Tax had been raised by F. (No. 2) Acts, 1939 and 1940.

Shadbolt v. *Lord Pender and Others* (K.B.D. 1945, T.R. 297) is a case which deserves attention, although its field of application will be limited. The respondents were trustees of several superannuation funds, and were entitled to the exemption from tax in respect of the income derived from investments of those funds conferred by F.A. 1921, Section 32. The investments comprised securities the income of which had been taxed by deduction in accordance with the "paying agent rules," and the trustees presented claims for repayment in 1939/40 and 1940/41. In each of these years the standard rate of income tax was raised by a second Finance Act, and each of these (by their Sixth and Fifth Schedules respectively) contained provisions whereby in the case of tax to be accounted for under the paying agent rules, any under-deduction of tax made before the increase in the standard rate might be balanced by an over-deduction from the next subsequent payment, so as to give effect to the increased standard rate over the whole year.

It happened that in 1939/40 the trustees sold certain investments before the provisions of the second Finance Act came into operation, and accordingly the tax they suffered by deduction in that year was less than the increased standard rate. In 1940/41 the converse happened; the trustees purchased investments after the standard rate had been raised, and accordingly they suffered tax in excess of the increased rate. They claimed repayment for each year of the amount of tax actually deducted, but the Inland Revenue were prepared to allow repayment only at the increased standard rates; the basis adopted by the Revenue would therefore have resulted in the trustees obtaining a repayment for 1939/40 of more than they had suffered, but for 1940/41 of less than they had suffered. The Court decided that the Revenue were wrong in the course they proposed, and that the trustees were entitled to repayment of the tax they had actually suffered by deduction.

The case is a curious one, but the decision is logical; F.A. 1921, Section 32 confers freedom from income tax on the investment income of certain superannuation funds, and there is nothing to suggest that "income tax" there means income tax at the standard rate.

E.P.T.—Dance band leader—Not carrying on a profession.

In *Loss* v. *C.I.R.* (K.B.D. 1945, T.R. 305), the appellant claimed that the profit he made from running a dance band was not liable to E.P.T. as it was profit derived from carrying on a profession within F. (No. 2) A., 1939, Section 12 (3). His band consisted of instrumentalists and vocalists selected and trained by him, whom he employed at fixed salaries, and he acted as conductor. The band fulfilled engagements in London, where he was remunerated at a flat rate, and in the provinces, where he was remunerated sometimes by a fixed fee, but generally by a percentage of takings. The Special Commissioners held that although the profits made depended to a very large extent on Mr. Loss's professional skill as a conductor and musician, they were commercial profits arising from a business of "training and exploiting for profit a band with himself as a conductor," and accordingly they were liable to E.P.T. The Court, on appeal, decided that this decision of the Special Commissioners was correct. The case would appear to be that of a professional man using his professional skill in a business, and the decision really rests on the fact that it is the activities giving rise to the profits, and not the personal characteristics of the individual, which determine whether the profits come from a profession or a business.

Letter to the Editor

Stock Valuation and Income Tax

DEAR SIR,—For forty-seven years I have been reading the strictures of the judicature on the decreasing clarity of the Income Tax Acts and Finance Acts, and at the same time have been perturbed at the steadily increasing non-commercial aspect of the trend on taxation.

The suggestion, dealt with on page 76 of the last issue of ACCOUNTANCY, that stock-in-trade should be valued either wholly at cost, or wholly at market price, is more than amazing. It seems to violate every elementary rule of sound accounting, and also violates the fundamentals of taxation, in that no profit ought to be taken into any profit and loss account until it has been ascertained, and no tax should be levied on the profits until they have been ascertained.

What a chance for the fraudulent proprietor or Board fictitiously to increase profits by valuing stock-in-trade at the appropriate amount on a rising market!

I would also refer to the paragraph on new assessment forms on page 77, and would like to emphasise the complaints about the new forms. In this particular area we have no serious complaints about the unusual number of mistakes; they are just about average. The forms are not very intelligible, and to my mind have only one recommendation—they contain a lot less printing than the previous assessment forms.

I am, Sir,

Yours faithfully,

C. E. CLARIDGE, F.S.A.A.

Bradford.
January 14, 1946.

FINANCE

The Month in the City

The Rise in Gilt-Edged

With the industrial market firm, but not spectacular, and the mining market suffering from a period of profit-taking, the main interest for the greater part of this month has been centred on British Government securities. The rise in this section of the market came sooner after Mr. Dalton's removal of the "tap" loans than had been expected. At first the rush to buy Savings Bonds 3 per cent. 1965-75 while they were still available, coupled with the fact that the money market had temporarily exhausted its buying powers, prevented any further advance in the prices of existing British Government securities. These factors, however, did not operate for long. The accumulation of funds soon became marked and led to a substantial rise in gilt-edge prices. The most healthy feature of this movement was that it was not confined to the long-dated securities, but extended to loans of every maturity. The basis for a lowering of the long-term rate of interest should therefore be better established, since the short-dated stocks rose sufficiently to be restored to their appropriate position in the yield structure. Circumstances certainly appear to be favouring Mr. Dalton's intention to lower money rates. With the inflow of taxation now at its peak, he is able to dispense with borrowing by means of "tap" Government loans, and in the absence of these investment outlets there is an inevitable pressure of funds in the gilt-edge market. In order to take advantage of this, it is expected that the announcement of a new loan will be deferred as long as possible. About its terms, when it arrives, there is much discussion. The possibility of 2¾ per cent. interest has been mentioned, but this is too unpopular a coupon rate to be probable, and City opinion would be less surprised by a 2½ per cent. loan with a life of 20 to 25 years.

Effects of the Coal Bill

The publication of the Coal Bill has not made it any easier for the Stock Exchange to value individual colliery shares, but it does appear to have established some important principles which should be relevant to all stocks in industries likely to be nationalised. The provision that compensation *may* be paid (not *should* be paid) to colliery companies in the form of non-transferable Government stock has been misinterpreted in some quarters. As the Bill stands at present, the stock is only "frozen" while it remains in the hands of the colliery companies. If a company decides to wind-up, it is entitled to distribute this stock among its proprietors in transferable form. Colliery shareholders are thus in the position of being able to sell their existing holdings while their companies remain in being (though values would be affected adversely if the Government stock held by their companies were non-transferable), or to sell their Government stock if the companies go into liquidation. To what extent liquidation will be adopted remains to be seen. Those colliery companies which have no important assets outside the scope of nationalisation are unlikely to receive enough compensation stock to maintain dividends at their current level, and may thus feel that they have only the alternatives of liquidating or of seeking permission to sell their stock in order to employ the funds in other lines of business. It seems probable that the authorities will require alternative business to be of a productive nature and that they will not favour the emergence of a series of investment trusts.

Preference Shares

For the investor the other important principle contained in the Coal Bill is that there should be some form of reconciliation between the conflicting interests of different classes of shareholder. It might be imagined that this conflict of interest would arise mainly in the event of liquidation, but in fact Clause 23 of the Bill, which deals with this matter, does not mention the occasions on which its provisions would operate, and it must therefore be assumed that they might be required under other circumstances. What the Clause is designed to secure is some compromise between stockholders' "expectations of income yield" and their rights under the articles of association. Where, for instance, a 6 per cent. preference share was only entitled to par in the event of liquidation, but was standing at a price which gives it a 4 per cent. yield, stockholders could reasonably expect their income expectations to be balanced against their capital rights. This provision has widely been interpreted as giving some assurance that preference shareholders will receive more than par in the event of liquidation, and has been followed by a partial recovery in the prices of preference shares in the colliery industry and other industries scheduled for nationalisation. This appears to be a perfectly rational interpretation on the assumption that the amount of compensation paid to colliery companies will be fairly substantial in relation to their capital, but it is worth noting that if the compensation figure were really low, Clause 23 might have the reverse effect on the capital value of preference shares. In these circumstances the reconciliation of the income expectations with the capital rights of different classes might mean that preference shareholders would get less than par in order to leave something over for ordinary shareholders. What Clause 23 does, in fact, is to leave the position of preference shareholders fluid and dependent on the adequacy of the global figure of compensation paid to the industry. That it has nevertheless resulted in an improvement in preference share prices suggests that the market does not expect compensation terms to be unreasonable. Under present conditions of uncertainty, however, preference shares in the industries to be nationalised could hardly be expected to regain their former status, in spite of the fact that the threat of repayment at par is less serious than it would have been in the absence of Clause 23.

Argentine Railways

A revival of interest in Argentine railway securities has become evident during the past month. The reports of all the British-owned railways have shown a marked improvement in results during the past year, in spite of the fact that fuel costs were still running three or four times higher than before the war. During the current year the improvement in traffics has been continued, and it is expected that considerable economies in fuel costs will be made possible by the renewal of coal and oil imports. The companies have already been able to accelerate the payment of interest arrears on their debentures and operating conditions suggest that there may be a further increase in net receipts this year. Despite the more favourable immediate outlook, however, the status of the railways when the Mitre Law expires at the end of this year remains quite uncertain. The railways themselves appear to have discussed with the Argentine authorities the possibility of forming a mixed company, part of the capital of which would be

held by the Argentine Government. The proposal envisaged the creation of a single company with a sterling debenture capital of £100 million and a *peso* share capital. A more extreme solution of the problem would be for the Argentine Government to nationalise the railways, and since Argentina has about £110 million of sterling balances in London, this possibility cannot be entirely ruled out. Whatever the decision—and no further discussions are likely to take place until after the Argentine elections—it is felt that the railways will be in a strong bargaining position, and that the status of their prior charges at least may well be improved.

Points from Published Accounts

English, Scottish and Australian Bank

The changes in presentation made in the latest accounts of the English, Scottish and Australian Bank bear the evident impress of Mr. F. R. M. de Paula, who recently became a member of the board. Mr. de Paula's practical contributions to the technique of industrial accounting need no labouring. But the methods which serve so well to display the position of an ordinary commercial company appear to us not only to lose some of their advantages, but even to have positive drawbacks, when applied to a banking institution. The setting-out of the profit and loss account in tabular form, with comparative figures provided throughout, debenture interest shown separately, and distinction drawn between Australian taxation and U.K. taxation, is pure gain. It is, however, significant that the gross profit is again stated "after transfers to reserves for contingencies, out of which reserves provision for all bad and doubtful debts has been made." There are solid arguments why banks should, as the Cohen Report recommends, be allowed to have inner reserves. These rest, however, upon the reaction which depositors might have to wide fluctuations in earnings results and the need, in their interest, for avoiding unjustifiable loss of confidence. Yet the English, Scottish and Australian Bank's new-style balance-sheet is drawn up to show how the shareholder, rather than the depositor, stands. In some respects it goes beyond the recommendations of the Cohen Committee as applied to banks—for instance the tax provisions are shown separately. But little is achieved by grouping the various "current assets" together into a total of £75,086,286 and showing that these exceed current liabilities and provisions by £4,474,768. When added to the fixed assets of £775,277 to make total net assets of £5,250,045, this demonstrates the security enjoyed by the holders of the paid-up capital of £3 million. This is not the same, however, as indicating the protection for the £66,432,936 of deposits, current accounts, bills payable and other liabilities, for that protection resides not only in the total of the assets, but also in their composition and in the uncalled liability of £2 million on the shares. It does not exemplify the ability of the bank to meet likely calls upon it for repayment of deposits to lump such items as cash, money at call and Treasury Bills with investments and advances. This ignores the vital factor of liquidity. A bank's ability to meet the calls which may be made upon it in an emergency is conveniently measured by noting the ratios which the separate asset items bear to deposits: the possession of £1 million in cash is a very different thing from the theoretical right to call in advances of £1 million, some of which may be so frozen as not to justify the description of "current assets" at all. The ideal bank statement would make this distinction very firmly and meet the general convenience by calculating the liquidity ratios.

J. F. & H. Roberts

It would be unfair to single out J. F. & H. Roberts (cotton piece goods manufacturers) for criticism on the grounds that the net profit is determined after deducting undisclosed sums for depreciation and income tax and E.P.T. The bare particulars provided give no indication of the trading experience, except to show that gross profits are above the E.P.T. standard, and therefore have only limited value for shareholders. Unfortunately there are still many other companies equally reluctant to display their profit situation in detail, though this shyness is being overcome as the time draws nearer when the Cohen Report will be given statutory effect. Particular criticism may, however, be offered against the company's practice, which is certainly individual, of lumping debtors and stock together in an omnibus entry of £291,586. This accounts for a substantial part of the assets total of £826,286. From that point of view alone there is something to be said for distinguishing between the two component items. The case becomes a really strong one when it is recalled that inventory losses have in the past had serious influences on the results and position of textile manufacturers. The danger of big fluctuations in commodity prices and sweeping changes in fashions is perhaps not great in to-day's conditions, but appraisal of the company's position would be all the better informed were the stock figure stated separately. Incidentally, the balance-sheet narrative records that creditors of £218,981 include provision for income tax and E.P.T.; but the amount involved is not disclosed, and there is nothing to show how future liability to income tax has been treated.

Mitchell, Shackleton & Co.

The accounts of Mitchell, Shackleton & Co. (forgers and stampers) are the reverse of informative. The profit and loss statement, after showing a balance of £54,678 brought forward, merely notes a "loss after charging depreciation, income tax, war damage contribution, directors' fees £800, and after taking credit for £12,044 recoverable from Excess Profits Tax" amounting to £26,761, leaving the reduced sum of £27,917 to go forward. If this result has been influenced by providing for income tax liability attributable to the profits of previous years, details of the tax debit would have placed matters in much clearer perspective. If, on the other hand, the income tax charge is merely a deduction from a gross E.P.T. repayment, the position should equally have been made plain. As for depreciation, while the fixed assets are bought in (at £202,821) after deducting depreciation of £3,308 for the year, this is a net provision shown after allowing for additions of the undisclosed amount. It would have been much better to have recorded the full cost value of the additions to fixed assets and to have displayed the undiluted depreciation provision. Another deficiency of the balance-sheet is that no distinction is drawn between a bank overdraft of an unspecified amount on the one hand and general creditors and provisions on the other. It is interesting to note, by the way, that the year's unfavourable result was influenced by the introduction of a new system of payment by results; this caused minor strikes and a "go-slow" policy extending over three months, with an effect on costs and output described as "disastrous."

LAW Legal Notes

COMPANY LAW

Private company—Alteration of rights of class—10s. ordinary shares, already issued, subdivided—Rights of original holders of 2s. shares affected, but not "varied."

The word "class" is vague and non-technical. It was held in 1892 that in relation to company matters, it must be confined to those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest. In *Greenhalgh* v. *Arderne Cinemas, Ltd.* (1945, 2 All E.R. 719), G., a shareholder, brought an action for (1) a declaration that a resolution passed at an extraordinary general meeting of the company on March 12, 1943, was void and of no effect; (2) ancillary relief. The defendant company was a private company, formed in 1936 with a nominal capital of £26,000, originally divided into 21,000 preference shares of 10s. each and 31,000 ordinary shares of 10s. each. By March, 1941, 26,295 ordinary shares had been issued. The company was in financial difficulties and an agreement was entered into with G., the plaintiff, whereby debentures were to be issued to him for the sum of £11,000 which he lent to the company. By that agreement, the company was to subdivide the whole of the unissued ordinary 10s. shares into ordinary shares of 2s. each, ranking *pari passu* with the issued ordinary shares for all purposes; the new subdivided shares (called the 1941 2s. shares) were to be allotted as to 19,213 to G., and 4,312 to certain directors; G. was to be appointed an additional director. G. entered into a collateral agreement with the three directors in question. It provided that they should vote with and support G., as and when required by him, and that G. would use his votes to re-elect them as directors on retirement by rotation.

In November, 1941, the directors transferred their 2s. shares and some of their 10s. ordinary shares to other members of the company. In an action then brought by G., it was held that the transferees held the shares free from any obligation arising under the collateral agreement; the result was that G. lost much of the protection he had attempted to secure. At an extraordinary general meeting of the company, on March 12, 1943, it was resolved by a small majority that the existing 10s. shares should be subdivided into 2s. shares ranking so as to form one class of shares with the 1941 2s. shares, and carrying the same voting rights. The effect was that G. was no longer able to enforce any control at all over the company's affairs. Before the court, G. contended that this resolution for subdivision was void, because (1) it varied the rights attaching to the 1941 2s. ordinary shares without the consent which the holders of those shares, regarded as a class, were entitled to give or withhold under the provisions of Table A, Article 3, which had been adopted by the company; (2) it amounted to a breach of the contract under which G. had advanced £11,000, because, although the agreements contained no express terms to that effect, it was obviously the intention of the parties that G.'s control should not be taken away during the continuance of the debenture debt. For the defendants it was contended that, though the rights of the holders of the 1941 2s. shares had been affected by its subdivision, they had not thereby been varied. Vaisey, J., held, (1) although the 10s. ordinary shares and the 1941 2s. ordinary shares might be one class of shares for some purposes, they were two distinct classes of shares as regards voting and similar rights. The 1943 subdivision, although materially affecting the rights attached to the 1941 2s. ordinary shares, did not vary them; rights of one class of shares were not "varied" by operations effected upon other classes of shares. The subdivision of the remaining 10s. ordinary shares was not, therefore, vitiated by the provisions of Table A, Article 3. (This provides that if any any time the share capital is divided into different classes of shares, the rights attached to any class—unless otherwise provided by the terms of issue of the shares of that class—may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.) (2) Since there was no express term in the agreements which had been infringed, the subdivision did not amount to a breach of contract.

EXECUTORSHIP LAW AND TRUSTS

Trustee of will appointed director—Liability to account.

The inflexible rule that a person in a fiduciary position must not put himself in a position where his interest and duty conflict, and is not entitled to make a profit unless otherwise expressly provided, was invoked in unusual circumstances in *Re Macadam* (1945, W.N. 223). The testator made his will in 1921, and died in 1922. He directed that, in events which happened, his trustees should be bound to accept, in satisfaction of the amount due to him at the date of his death under a partnership agreement between himself and his brother, shares in a limited company, to be formed with as little delay after his death as possible, for the purpose of acquiring the business. His brother and the trustees were directed to adjust all questions between them regarding the memorandum and articles of association in forming the company. The will's provisions as to the formation of the company were not carried out before the death of the testator's brother in 1924, but the company was formed in 1926 under a Court order. By article 68, it was provided that the trustees of the will might from time to time, so long as they held shares in the company as trustees, appoint two persons "who may or may not hold already shares in the company" to be directors. The remuneration of directors was to be determined by the company in general meeting. In 1931 the plaintiff D. was appointed a trustee, and in 1941 he was appointed a paid director. In 1944 the plaintiff M. was similarly appointed to both offices. The trustees then held less than half the ordinary capital of the company. The question arose whether the trustees were entitled to retain their directors' fees, or should account for them to the trust estate.

Cohen, J., said the root of the matter was whether the directors held their offices of profit by virtue of their positions as trustees. Clearly, they only became directors by exercise of the trustees' powers under article 68. There had been no suggestion of any impropriety on the part of the plaintiffs. But the principle was one of the greatest importance. The trustees had placed themselves in a position where their interest and duty conflicted. In those circumstances, he directed that they were liable to account, the liability to account for a profit being, in his view, not confined to cases where the profit was derived directly from the trust estate.

Power of appointment—Failure to use word "appoint."

In *Re Welford's Will Trusts* (1946, 1 All E.R. 23), Mrs. D. had under her father's will a special power of

appointment among her children and grandchildren over a settled legacy. It was exercisable by deed or will, and in default of appointment, the legacy, on Mrs. D.'s death, was to be divided equally among her five children. By her will made in October, 1938, Mrs. D. made a gift of all her real and personal estate " and over which I shall have any disposing power at the time of my decease," to two of her children in equal shares absolutely. She did not exercise the special power of appointment in her lifetime, so that the question before the court was whether the words of her will above set out constituted a sufficient exercise of the power. She was not the donee of any other general or special power of appointment at the date of her will or of her death. The children who did not benefit under the will contended (1) that the words were used in an explanatory sense or to introduce an additional quality to the property already mentioned; (2) that the reference to payment of debts negatived any intention to exercise the power of appointment; (3) that the failure to use the word " appoint " also negatived such intention. Romer, J., held that (1) the use of the word " and " before the words " over which I shall have any disposing power at the time of my decease " was not intended merely to introduce an additional quality to the property disposed of: the true meaning of the clause was " and all real and personal property over which I shall have any disposing power at the time of my decease "; (2) the reference to the payment of debts was not an intention to charge with their payment each item of the property subsequently referred to. The debts were payable only out of property properly chargeable therewith; (3) failure to use the word " appoint " did not necessarily imply that a special power of appointment had not been exercised; (4) the words in question referred to property over which Mrs. D. should have a disposing power at the time of her death. Therefore the testator's language was accurate in relation to a power which was operative at the date of the will but which could be subsequently executed by deed; (5) though the interests of those entitled in default of appointment were vested subject to divesting by the exercise of the power, it was not essential to such divesting that the words used by the person exercising the power should contain no element of doubt; (6) upon the true construction of the will, and as this was the only power of appointment that Mrs. D. had ever had, she had exercised by her will the special power of appointment over her settled legacy.

This decision followed the principle laid down in *Re Ackerley* (1913, 1 Ch. 510), that in order to exercise a special power, there must be sufficient expression or indication of intention in the will or other instrument in question; and that a reference either to the power, or to the property subject to the power, constitutes in general a sufficient indication for the purpose. In the present case, the reference was to the property subject to the power and was held to be sufficient.

The Emergency Acts and Orders

These summaries of emergency enactments and Orders have been published in ACCOUNTANCY *since the beginning of the recent war. They are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.*

ORDERS

COMPANIES

No. 1533 (1945). *Order in Council adding Regulation 5a to the Defence (Companies) Regulations*, 1940.

Where a company incorporated under the laws of a country formerly in enemy occupation has been registered in the United Kingdom under the Defence (Companies) Regulations, the Board of Trade may direct that it shall cease to be so registered when it is, or has had reasonable opportunity to become, registered in its country of origin.

(See ACCOUNTANCY, August, 1942, page 199.)

EMPLOYMENT

No. 1570 (1945). *Disabled Persons (Standard Percentage) Order*, 1945.

From March 1, 1946, employers are required to employ 2 per cent. registered disabled persons, in accordance with the provisions of the Disabled Persons (Employment) Act, 1944.

(See ACCOUNTANCY, May, 1944, page 163.)

EXPORTS

No. 1602 (1945). *Export of Goods (Control) (No. 8) Order*, 1945.

The list of goods which require export licences is further reduced.

(See ACCOUNTANCY, November, 1945, page 43.)

FINANCE

No. 1415 (1945). *Regulation of Payments (Consolidation) (No. 2) Order*, 1945.

Amendments to previous provisions relate principally to Norway, where the prescribed manners of payment are in sterling from an account of a person resident in Norway, or in Norwegian kroner.

No. 1508 (1945). *Regulation of Payments (Yugoslavia) Order*, 1945.

The prescribed method of payment in relation to goods exported to Yugoslavia is payment in sterling from an account of a person resident in Yugoslavia.

No. 1416 (1945). *Direction . . . relating to residents in Norway.*

No. 1470 (1945). *Direction . . . relating to residents in certain British territories.*

No. 1354 (1945). *Czecho-Slovakia (Restrictions on Banking Accounts, etc.) (Termination) Order*, 1945.

Banking accounts in the United Kingdom of persons resident in Norway, Czecho-Slovakia or British territories formerly in enemy occupation, are freed from restrictions.

(See ACCOUNTANCY, November, 1945, page 43.)

IMPORTS

No. 1356 (1945). *Import of Goods (Control) Order*, 1945.

Imports from the Channel Islands are freed from control, with the exception of certain classes of dyes and dyestuffs, arms and ammunition, and plumage.

TRADING WITH THE ENEMY

Nos. 1357, 1358, 1359 (1945). *Trading with the Enemy Orders (Czechoslovakia).*

Nos. 1494, 1495, 1496. *Trading with the Enemy Orders (Yugoslavia).*

Restrictions imposed under the Trading with the Enemy Act on dealings with persons in Czechoslovakia and Yugoslavia are removed.

(See ACCOUNTANCY, November, 1945, page 43.)

Lord Plender

The accountancy profession has suffered a grievous loss by the death on January 21 of Lord Plender, G.B.E., F.C.A., senior partner of Messrs. Deloitte, Plender, Griffiths and Co.

Born in 1861, William Plender's early training was obtained in Newcastle, where he passed the final examination of the Institute of Chartered Accountants, of which he was destined to become President for the years 1910-12. He was again elected to that office for the Institute's jubilee year, 1929-30. He was President of the Fourth International Congress on Accountancy, held in London in 1933. His many public activities did not interrupt his interest in the training of articled clerks, and from 1909 to 1938 he was President of the Chartered Accountants' Students' Society of London.

An international reputation acquired through the widespread activities of his firm was enhanced through a long and crowded public career. In 1903 he acted for the Metropolitan Water Board in its acquisition of the undertakings of the London water companies. The Government sought his advice in connection with the establishment of the Port of London Authority in 1908, and thereafter as a member of innumerable Royal Commissions and Departmental Committees.

During the war of 1914-18 he was Treasury Controller of German, Austrian and Turkish Banks, and his many other public services included membership of the Foreign Trade Debts Committee, the Liquor Trade Finance Committee, the Metropolitan Munitions Committee, the Enemy Debts Committee, the Military Service (Civil Liabilities) Committee, and the Surplus Government Property Disposal Board.

Many of our readers will recall Lord Plender's membership of the Company Law Amendment Committee of 1918. In the same year he was appointed Chairman of the Civil Liabilities (Demobilisation) Committee, and honorary financial adviser to the Board of Trade. He was Chairman of the Advisory Committee of the Clearing Office (Enemy Debts), 1920; a member of the Lord Chancellor's Committee on Remuneration of Solicitors; Commissioner (unpaid) for the Railways Amalgamation Tribunal; Chairman of the Advisory Committee on the Trade Facilities Act; first independent Chairman of the National Board for the Coal Industry; member of the Commission on Property and Finances of the Church of England, of the Export Credits Guarantee Committee of Enquiry, of the Iron and Steel Economic Advisory Council, of the Committee on National Expenditure of 1931, and the Post Office Committee of Enquiry, 1932; Chairman of the German Debts Committee, 1935; member of the Coal Mining Royalties Tribunal, 1937.

Lord Plender had been President of the Kent County Cricket Club, Chairman of the Governing Body and President of the City of London College, a Governor since 1936 of King's School, Canterbury, Vice-President of Poplar Hospital for Accidents, and a Governor of St. Thomas's Hospital. He was a member of many Masonic lodges and P.G.W. of England.

William Plender received the honour of knighthood in 1911, the G.B.E. in 1918, and a baronetcy in 1923, and was created Baron Plender, of Sundridge, Kent, in the New Year Honours List, 1931. He held the Order of Mercy with bar, and was a Knight of Justice of the Order of St. John of Jerusalem. The University of Birmingham conferred upon him the honorary degree of LL.D.

Lord Plender will be remembered not only by the accountancy profession as an outstanding figure, and by the public as one who gave his undivided services for the common good, but by all those who knew him as a striking and attractive personality and a kindly counsellor of younger generations.

The funeral took place at St. Mary's Church, Sundridge, on January 24, and there was a memorial service at St. Margaret's, Westminster, on January 30.

Society of Incorporated Accountants

COUNCIL MEETING

THURSDAY, JANUARY 24, 1946

Present: Mr. F. Woolley, J.P. (President), in the chair, Sir Frederick Alban, C.B.E. (Vice-President), Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. Alexander Hannah, Mr. Walter Holman, J.P., Sir Thomas Keens, D.L., Mr. Bertram Nelson, J.P., Mr. T. Harold Platts, Mr. R. E. Starkie, Mr. Joseph Stephenson, O.B.E., Mr. Percy Toothill, Mr. Joseph Turner, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary), and Mr. L. T. Little (Deputy Secretary).

Apologies for absence were received from Mr. A. Stuart Allen, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. Robert Bell, Mr. W. Allison Davies, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, M.A., Mr. A. B. Griffiths, Mr. C. A. G. Hewson, Mr. James Paterson, Mr. A. H. Walkey, and Mr. R. E. Yeabsley, C.B.E.

Lord Plender

The Council received with deep regret news of the death of the Right Hon. Lord Plender, G.B.E., F.C.A., and adopted in silence the following resolution of condolence, which the Secretary was directed to send to the Institute of Chartered Accountants:

> That the Society of Incorporated Accountants tender to the Institute of Chartered Accountants their sympathy on the death of the Right Hon. Lord Plender, G.B.E., F.C.A., the senior Past-President of the Institute, with an expression of their warm admiration of his personality and character and their high regard for his service to the accountancy profession throughout the world.

The President and Council offered their congratulations to Mr. Walter Holman upon his being appointed a Justice of the Peace of Surrey, and to Mr. Joseph Stephenson, O.B.E., on his appointment as President of the Chartered Institute of Secretaries.

They also welcomed Mr. L. T. Little, Deputy Secretary, upon his resuming his duties after national service.

Coal Industry Nationalisation Bill

The Council received a report from the President setting out a number of considerations which arise on this Bill.

Refresher Courses for Members

The President referred to the success of the Course held at New College, Oxford, in December, 1945, and to the proposed arrangements for a similar Course at Balliol College, Oxford, which will be held from April 2 to 10, 1946.

Examinations

The Council were informed that arrangements had been made for the Society's Examinations to be held in May and November in each year at the usual centres in London, Manchester, Leeds, Cardiff, Glasgow, Dublin, and Belfast, and in South Africa (for South African candidates only), in lieu of the special war-time arrangements.

The Council adopted resolutions of thanks to:

The Governors and Headmaster of Taunton School;
The Governors and Headmaster of Sedbergh;
The Southport Education Committee and the Principal of the Southport Technical College;

for the valuable facilities granted to the Society which enabled the examinations to be held without interruption throughout the war.

Resignations

A report was received from the Examination and Membership Committee that the following resignations had been accepted as from December 31, 1945:

Godfrey, William Arthur (*Fellow*), Bournemouth.
Whitfield, William (*Associate*), London.
Wood, Walter George (*Associate*), Gravesend.

Deaths

The Secretary reported the death of each of the following members:

Baskin, William Houghton (*Fellow*), Dublin.
Benbow, Leonard (*Fellow*), Northampton.
Ching, William John (*Fellow*), Tavistock.
Clarkson, Percival Donald Just (*Fellow*), Poulton-le-Fylde.
Cleare, Ramond Dennis (*Associate*), London (*on active service*).

Crouch, Walter Scott (*Associate*), Harrow, Middlesex.
Francis, Geoffrey (*Associate*), Liverpool.
Garstang, Henry Edward (*Associate*), Manchester.
Grove, Walter (*Fellow*), Birmingham.
Heppel, John Thomas (*Associate*), Manchester.
Lawrence, George Henry (*Fellow*), London.
O'Loughlin, John Henry (*Associate*), Newcastle-on-Tyne.
Piggott, Halvor (*Fellow*), Manchester.
Tucker, John Henry (*Associate*), London.
Waters, Herbert Ernest (*Fellow*), Ipswich.

DISTRICT SOCIETIES

LEICESTER

Mr. Frank Dixon, F.S.A.A., of Alfred G. Deacon & Co., 4, Horsefair Street, Leicester, has become President of the Leicester District Society, in succession to Mr. R. M. Branson, F.S.A.A., of Thomas May & Co., Allen House, Newarke Street, Leicester.

Mr. W. T. Manning, A.S.A.A., who has been actively associated with the activities of Incorporated Accountants in Leicester since 1920, and has served as Honorary Secretary of the Leicester District Society since its formation in 1929, resigned the Secretaryship at the recent annual general meeting. Mr. Manning's invaluable work as Honorary Secretary is well known to all members of the District Society and to many Incorporated Accountants from other parts of the country.

Mr. Manning is succeeded by Mr. C. R. Riddington, F.S.A.A., 65, London Road, Leicester.

MANCHESTER

1946 *Syllabus of Meetings*

February 8.—Members' meeting. "Public Relations and the Taxpayer," by Mr. Wyn Griffiths, Public Relations Officer, Board of Inland Revenue. Grand Hotel, 6 p.m.

February 15.—Students' meeting. Discussion upon Students' Problems.

March 1.—Members' meeting. "Costing," by Mr. J. D. Hamer, F.S.A.A. Grand Hotel, 6 p.m.

March 15.—Students' meeting. Mock Shareholders' Meeting. Estate Exchange, 6.15 p.m.

PERSONAL NOTES

Major A. F. Dougall has been twice mentioned in despatches. At the time of joining the Army in September, 1939, Major Dougall was employed by Messrs. Rawlinson and Hunter, Chartered Accountants, London. He is a candidate for the Society's examinations under the Special Bye-Laws.

Mr. Joseph Stephenson, O.B.E., a member of the Council of the Society of Incorporated Accountants, has been elected President of the Chartered Institute of Secretaries.

Mr. Walter Holman, a member of the Council of the Society, has been appointed by the Lord Chancellor to the Commission of the Peace for the County of Surrey.

Messrs. Walter Hunter, Bartlett, Thomas & Co., Incorporated Accountants, of 24, Bridge Street, Newport, (Mon.), and Empire House, Mount Stuart Square, Cardiff, have admitted Mr. Walter Nugent Bartlett, Incorporated Accountant, into partnership. The practice will be continued under the same name as heretofore.

Messrs. Cassleton, Elliott & Co. announce that they have opened an office at Freetown, Sierra Leone, which will be under the management of Mr. T. E. Smith, A.C.A. They also advise that the occupation of their temporary office in Hampstead, London, has been discontinued, and that they have returned to their City office at 4 and 6, Throgmorton Avenue, London, E.C.

Mr. Thomas G. Weavers, Incorporated Accountant, 4, Great Winchester Street, London, E.C., has admitted his son, Mr. R. L. Weavers, A.C.A., into partnership. The practice will be carried on under the style of Weavers & Co.

Messrs. Lithgow, Nelson & Co., Incorporated Accountants, advise that all their practices in London, Liverpool and Southport are now carried on under the name of Lithgow, Nelson & Co., instead of under the three titles of Lithgow, Nelson & Co., W. E. Nelson & Co., and W. G. Lithgow & Co. They also advise that Mr. L. Vernon Bairstow, A.S.A.A., has been admitted into partnership.

Messrs. W. G. A. Russell & Co., Incorporated Accountants, 12, Waterloo Street, Birmingham, have admitted Mr. C. Wheatley, A.S.A.A., into partnership. The name of the firm will be unchanged.

Mr. S. J. Birkett, Incorporated Accountant, has commenced public practice at 3, Fleet Lane, London, E.C.

Messrs. Sharles, Pickstone & Co., 63, Coleman Street, London, E.C., have admitted Mr. W. B. Godfrey, C.A., into partnership.

Mr. F. C. Utting, Incorporated Accountant, has commenced public practice at 13, Castle Meadow, Norwich.

Messrs. Everett, Morgan & Grundy, Chartered Accountants, announce that they have taken into partnership Mr. B. J. Bridges, A.C.A.

Messrs. Clarke, Dovey & Co., of Cardiff and Swansea, announce that the partnership has terminated by effluxion of time. The partners have commenced to practise individually as follows: Mr. A. E. Clutterbuck as A. E. Clutterbuck and Co., at 31, Queen Street, Cardiff; Mr. G. Ross as Ross, Jones & Co., at 26, High Street, Cardiff; Mr. J. E. Chilton in his own name at 51, Charles Street, Cardiff; Mr. T. R. Morris in his own name at 31, Queen Street, Cardiff; Mr. Arthur G. Reed in his own name at 9 Crwys Road, Cardiff; Mr. Geo. M. Davies in his own name at 28, Rutland Street, Swansea.

Mr. Fred P. Barnes, F.S.A.A., the surviving partner of Messrs. Pix & Barnes, Incorporated Accountants, has admitted Mr. John R. Lane, A.S.A.A., into partnership as from January 1, 1946. The partnership will be carried on under the style of Barnes, Lane & Co., Incorporated Accountants, at 24, Coleman Street, E.C.2, but pending the necessary alterations, the name Pix & Barnes will continue to be used.

Messrs. Stanley Wallis, Carter & Co., Incorporated Accountants, announce that the partnership hitherto subsisting between Mr. S. I. Wallis and Mr. J. B. Carter has been dissolved by mutual consent. Mr. J. B. Carter has entered into partnership with Mr. J. T. Singleton under the style of E. Harlow & Co., Incorporated Accountants, 23, King Street, Nottingham.

Messrs. Nicholson Beecroft & Co., Chartered Accountants, of 5, Cheapside, E.C.2, have acquired the practice of the late Mr. S. G. Morris, formerly senior partner of the firm of Spence, Paynter & Morris, of 6, Wardrobe Place, E.C. They have admitted into partnership Mr. B. J. Ketchlee, M.B.E., A.C.A., A.S.A.A., who had for some years previously been a member of their staff.

OBITUARY

WILLIAM HOUGHTON BASKIN

We have learned with deep regret that Mr. W. H. Baskin, F.S.A.A., senior partner of Messrs. Cooper & Kenny, Incorporated Accountants, Dublin, died on December 31, at the age of 69. Mr. Baskin became a member of the Society of Incorporated Accountants forty years ago, when he was admitted to partnership in the firm, in whose service he had been for some years previously.

Mr. Baskin was well known among members of the accountancy profession in Ireland. In addition he was for many years Treasurer of the Methodist Widows' Home and captain of a company of the Boys' Brigade, in which he was keenly interested. He was a Freemason and a member of the Rotary Club. The provision of working-class houses in Rathmines was materially increased by the Rathmines Public Utility Society, of which Mr. Baskin was a promoter.

LEONARD BENBOW

We record with regret the death on January 5 of Mr. Leonard Benbow, F.S.A.A., senior partner of Messrs. Benbow & Airs, Northampton. Mr. Benbow was 69 years of age, and had been a member of the Society of Incorporated Accountants since 1902. In the following year he left the service of Messrs. Bourner, Bullock & Co., Hanley, with whom he had served his articles, and commenced public practice at Northampton. He was for many years honorary auditor of Whitworth Road Club and honorary secretary of Northampton Conservative and Unionist Association. He was also honorary secretary and director and a former captain of Kingsthorpe Golf Club. As a footballer he played centre-forward for Notts Forest when the team won the English Cup Final in 1898. He had been Worshipful Master of the Kingsley Lodge of Freemasons, and Grand Warden of the Northants and Hunts Province.

The funeral took place on January 9 at Abington Church, where Mr. Benbow was a churchwarden.